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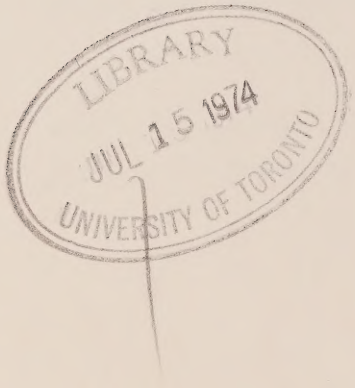
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EXPLORATION TEAMS' REPORTS

TO THE

MINISTER OF INDUSTRY AND TOURISM

GOVERNMENT OF ONTARIO



1973


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EXPLORATION TEAM REPORTS

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TO: The Honourable John White
Minister of Industry and Tourism

FROM: ACHIEVE - Exploration Team on Small Business,
December 1972

SUBJECT: Recommendations on ways and means of encouraging the initiation, survival and growth of Small Business in the Province of Ontario.

RECOMMENDATIONS:

1. Ministry of Industry and Tourism should create a new organization headed by an Associate Deputy Minister, to service new and small enterprise in Ontario.

2. Government should use its purchasing power to encourage the activities of Small Business within the Province, by allocating a certain percentage of its purchases to this sector of the economy.

3. Government should finance the establishment of a number of "entrepreneurial centres" at higher educational institutions to encourage entrepreneurship and small business development.

4. Ministry of Industry and Tourism should commission a research study on Small Business in Ontario at the earliest opportunity.

FINAL DRAFT

ACHIEVE - EXPLORATION TEAM ON SMALL BUSINESS

In March of 1972 the Deans of Ontario University Schools of Business met with the Honourable John White, Minister of Industry and Tourism. At that meeting Professor K. E. Loucks made recommendations on potential means of university-government cooperation in fostering the initiation, survival and growth of small businesses in Ontario. At the request of the Minister, this Exploration Team was formed to further examine what could be done in this area of concern to the Provincial Government. The Committee adopted the name ACHIEVE (Advisory Committee on Human Investment in Entrepreneurial and Venture Enterprises) and proceeded to meet at monthly intervals. The initial terms of reference of the Committee were gradually refined and are now stated as follows:

> To study the small business community, identify its problems and requirements, and make recommendations to the Government on how to optimize its services to Small Business in the Province.

During its deliberations it became evident to the Committee that, with the absence of a general body of meaningful information about the small business sector, a long term advisory study based on the acquisition of new data would be advisable. In the meantime, certain needs are readily apparent and should be drawn to the attention of the Minister. Recommendations concerning these needs are listed below and described in the accompanying schedules.

Recommendations:

1. Ministry of Industry and Tourism should create a new organization headed by an Associate Deputy Minister, to service new and small enterprise in Ontario. (Schedule A)

2. Government should use its purchasing power to encourage the activities of Small Business within the Province, by allocating a certain percentage of its purchases to this sector of the economy. (Schedule B)

3. Government should finance the establishment of a number of "entrepreneurial centers" at higher educational institutions to encourage entrepreneurship and small business development. (Schedule C)

4. Ministry of Industry and Tourism should commission a research study on Small Business in Ontario at the earliest opportunity. (Schedule D)

Small Business occupies a singularly important sector in the Canadian economy. Over 95% of an estimated 250,000 incorporated business establishments in Canada, fall into this category and these account for approximately 35%[1] of total corporation revenues. In addition, it is estimated there are at least as many unincorporated companies and again, the great majority of these would be classified as small businesses.

Of particular significance is the Service Industry which is the last great employment pool. It has followed successive periods in this century in which the agricultural and forest workman, then the factory floor worker and finally the computer-white collar group, formed the major labour group of the day. While, in recent years, employment in manufacturing has held steady in absolute terms, Service Industry employment has grown tremendously from about 40% of total employment at the end of the second World War, to about 60% in 1970,[2] and will approach 70% by 1980.

These trends are a reflection of tremendous shifts in world and domestic demand, and the influence of far-reaching and accelerated technological change, with the result that Canada has emerged as an advanced industrial, highly urbanized and substantially service-oriented economy with one of the highest standards of living in the world. With more disposable income and increased leisure time, there are rapidly rising consumer demands for a wide variety of new products and services; thus providing continuing and innovative opportunities in manufacturing, retailing, wholesaling, travel, recreation and so on. The small businessman, the entrepreneur, is a key factor in this process.

The entrepreneur should be recognized as the prime source of innovation in our economy; in effect the breeding point for new industries. His value to the economy is inestimable. He tends to be vigorous and ambitious and to be a meaningful contributor to the community. Such entrepreneurial people have a particularly valuable outlook - different from people who have had careers within large corporations. His spirit of independence is a basic strength of the

. . . . . .

1. These figures are interpolated from data in Statistics Canada's Corporation Financial Statistics, 1969, Catalogue 61-207, Ottawa, March 1972, Table 5B, pp 198 - 217

2. Economic Council of Canada, Patterns of Growth, Seventh Annual Review, September 1970, p 15

nation. Yet when we see much criticism about the lack of entrepreneurial spirit in the economy, we still find that Government does very little to actively help the emergence of the entrepreneurial small businessman and to promote the growth of his enterprise. This inaction is particularly highlighted when we consider small business policies of other countries - special organizationswithin government as is the case in France, Finland and especially the United States with its excellent Small Business Administration (Appendix 1); recent studies on Small Business in Sweden and the United Kingdom; and extensive legislation for small businesses in Germany.

Looking further at the small company, we find they tend to be Canadian-owned and also labour intensive which accounts in part for their output per employee which is on average lower than large firms. They contribute greatly to the variety of products and services on the market by selecting areas which might be uneconomic for big companies. Similarly they enter specialty fields as suppliers of parts and components to large companies at lower costs than these firms could achieve. Thus in this and other ways, they provide a counter balance to the large Multinationals and contribute to the efficient operation of the economy. In sum, the Achieve Committee believes the role of the small business man is an important one - and one whose welfare should be of paramount concern to Government.

A list of the members of ACHIEVE, The Exploration Team on Small Business is attached at the end of the report.

S C H E D U L E A

RECOMMENDATION 1: ORGANIZATION WITHIN MINISTRY

THE ACHIEVE COMMITTEE RECOMMENDS THAT THE MINISTRY OF INDUSTRY AND TOURISM CREATE A NEW ORGANIZATION HEADED BY AN ASSOCIATE DEPUTY MINISTER, TO SERVICE NEW AND SMALL ENTERPRISES IN ONTARIO.

The role of Associate Deputy Minister of New and Small Enterprises would include the following:

1. To advise the Minister of Industry and Tourism on:
   - (a) Program policy and alternatives for fostering the initiation, survival and growth of new and small businesses in the Province.
   - (b) Specific program plans and alternatives for carrying out the objectives of the Ministry with respect to small and new businesses.
   - (c) Financial, technical and staff requirements of the Ministry for carrying out its policies and programs with respect to small and new enterprises.
   - (d) Legislation, either new or revised, that is required to foster and enhance the legitimate rights and aspirations of the new and small business enterprises of the Province.
2. To coordinate provincially-approved programs directed toward the small and new business community by:
   - (a) Developing appropriate priorities and allocation of funds.
   - (b) Setting performance targets for the program and auditing the results.
3. To coordinate the new and small enterprise directed activities of the Ministry with other Ministries and the federal government at the policy formulation stage.
4. To provide technical leadership, guidance and expertise within the Ministry and to the small and new business community.
5. To provide to the Ministry and to the small and new enterprise community support services that can best be performed at a central point.
6. To provide services to the public.

Discussion

The committee was aware of what,for them, appeared to be the steadily improving environment for the agricultural and lands and forests sectors of our economy. We thought it more than coincidence that these steadily improving sectors are represented in the Government by not only Deputy Ministers but also by Ministers.

The small and new enterprise sector of our economy is at least as large and important (in terms of numbers employed and value added) as these other two. If we are indeed as interested as we say we are in improving the environment for this sector we should organize and plan at as least as high a level of government as in the case of the other two.

In making this recommendation to the Ministry the committee has also been cognizant of a keen interest, both within the Ministry and in the wider community, in fostering a healthy and favourable environment for the new and small business enterprises of the Province. While the interest undeniably exists, it has not been harnessed and channeled into effective policies and program plans.

But this is not mere chauvinism on behalf of the small business community. The small and new enterprises of Ontario play an important role in the existing economy and will play a large and significant part in determining the nature of our future economy. To ensure that its legitimate rights and interests receive appropriate priority attention, it must be represented at a level of government commensurate with that accorded to other equally important sectors. This requires an Associate Deputy Minister. Some aspects of his role are discussed below.

(1) Program Policies and Alternatives

In its brief and limited encounters, the committee members have been impressed by the pool of resources (technical skills, problem insights, innovative approaches,etc.) represented by the employees of the Ministry of Industry and Tourism. What has been missing is an organization with a focus on the matters concerning small and new enterprises. This void should be filled by the Associate Deputy Minister and his staff.

In accomplishing this task, the Associate Deputy Minister should not only draw on the resources of his department but also from the external community. The latter could be accomplished by establishing an Advisory Committee constituted similarly to the ACHIEVE Committee. Indeed, initially, the present ACHIEVE Committee might serve in that capacity.

It is important to think and plan separately for the small and new enterprise community. For example, policies favouring the small manufacturer of recreational vehicles may not be in accord with, indeed may be in conflict with, those that would favour large automobile manufacturers. It is also important that policies differentiate between manufacturing and other sectors of the economy. This is because most small businesses are engaged in the retail, wholesale and service sectors. It is also important as some components of the service sector (i.e. tourism) represent areas of significant growth potential in our economy.

(2) Co-ordinate Approved Programs

In this aspect of his role, the Associate Deputy Minister will be involved in setting appropriate priorities for the implementation of approved programs, setting program performance targets and assessing results. Further, his policies would in part, be implemented through the Field Services Division which will constitute a significant source of information from the small businessmen on the nature of policies, programs and legislative changes that would be appropriate.

(3) Co-ordinate Activities of the Ministry

The problems that affect small businessmen are unique and touch every Ministry of the Government. Programs to deal with the quality and skill of managers for instance would involve relating to and co-ordinating with the Minister of Colleges and Universities and the Department of Education. A concern with the supply of labour for small businesses would require liaison with other Ministries as well as co-ordinating involvement in both provincial and federal legislation. The Associate Deputy Minister will have the status necessary to perform this important coordinating task.

(4) Provide Technical Leadership, Guidance and Expertise

Among a number of functions that could be provided within this role, we see the need for a team of small business development specialists in the manufacturing, service and retail and wholesale sectors. Such a team of specialists could be placed at the disposal of key firms that are about to begin or on the verge of closing. In making this recommendation we have been influenced by the model of the agricultural representative who provides a well recognized service to the farm community. And within this context, it is worth noting the student advisory programs for small business which were successfully operated by most Ontario Universities during the last two summers and which confirm the need and effectiveness of this approach.

(5) To Provide Support Services

Again we have been influenced by the successful model experiences of other Ministries. Some services can best be directed, coordinated and provided from a central point. The crop advisory services of the Ministry of Natural Resources and the Ministry of Agriculture and Food are examples. The farm record and analysis services offered by the Ministry of Agriculture and Food through the University of Guelph are another example. The counterparts of these services are also required by the small business community. The identification of business opportunities and location analysis assistance could well serve to abort many ill-conceived ventures and assure the success of others. A central source of analysis and comparison of key operating indicators would provide a useful managerial aid for many small businesses.

These are only two examples of support services that could be provided to significantly improve the operating environment for new and small enterprises.

(6) To Provide Service to the Public

Here we think mainly in terms of information service but there are other possibilities as well. One feature of this service could be an emulation of the pamphlet and booklet service of the U.S. Small Business Administration Agency. Useful information in readable form is distributed on everything from how to start and operate a small business

to how to obtain government contracts. The S.B.A. also runs clinics for those contemplating starting their own business as well as lectures, seminars and conferences on special interest topics. Some aspect of their work could usefully be duplicated on a provincial level in Ontario.

Conclusion

The ACHIEVE Committee is convinced that one of the most significant actions the Government could take to foster the initiation, survival and growth of small businesses in Ontario would be to establish within the Ministry of Industry and Tourism an organization to service new and small businesses, to be headed by an Associate Deputy Minister.

The foregoing is not a comprehensive description of the organization nor the role of the Associate Deputy Minister of New and Small Enterprises. Rather it is an attempt to raise certain illustrative issues and specific service examples to demonstrate the need for such an appointment and organization.

S C H E D U L E B

RECOMMENDATION 2: GOVERNMENT PROCUREMENT POLICY

THE ACHIEVE COMMITTEE RECOMMENDS THAT THE GOVERNMENT USE ITS PURCHASING POWER TO ENCOURAGE THE ACTIVITIES OF SMALL BUSINESS WITHIN THE PROVINCE, BY ALLOCATING A CERTAIN PROPORTION OF ITS PURCHASES TO THIS SECTOR OF THE ECONOMY.

This recommendation would be carried out in three stages:

1. A definition of Small Business for government procurement purposes would be determined.

2. Government Ministries would be required to report the proportion of their purchases that are made from businesses falling within the definition.

3. Guidelines would be established as to the proportion of purchases that should be made from businesses falling within the definition.

According to the Public Accounts in the year ending March 1971, the Ontario Government spent over one half billion dollars on "Materials, Supplies etc". By directing certain purchases to Small Ontario Business, the Government would not only provide markets for these businesses but would also help replace imports. Such a policy would in effect help Small Business to avoid losing markets - and would be a basic reflection of similar policies to support Small Business already in existence in most advanced economies.

In determining a definition of Small Business for government procurement purposes, different criteria must be delineated for a wide variety of industries. As a starting point, a small business concern might be defined as one which is independently owned and operated, is not dominant in its field and meets the following size criteria:

- Manufacturing : establishments employing 100 persons or less, depending on the industry
- Construction: establishments with sales under $1,000,000
- Research, Development and Testing: establishments employing 50 persons or less
- Services: establishments with sales of $1,000,000 or less, depending on the industry
- Transportation: establishments with sales under $1,000,000.

These size criteria are offered as a guide only, and must be refined before being put into effect.

To get the program underway, it might be stated that in the first year, 10% of purchases for each Ministry would be made from Small Business. This percentage could be increased annually until an "optimum" figure is reached.

S C H E D U L E C

RECOMMENDATION 3: FINANCING OF ENTERPRENEURIAL CENTRES AT POST-SECONDARY EDUCATIONAL INSTITUTIONS

THE ACHIEVE COMMITTEE RECOMMENDS THAT THE GOVERNMENT SHOULD FINANCE THE ESTABLISHMENT OF A NUMBER OF "ENTREPRENEURIAL CENTRES" AT HIGHER EDUCATIONAL INSTITUTIONS TO ENCOURAGE ENTREPRENEURSHIP AND SMALL BUSINESS DEVELOPMENT.

Such an "entrepreneurial centre" could be charged with the responsibility to carry on three principal and related activities:

(1) Research in ways to encourage the development of Small Business, in the management of change and innovation. Utilization of new technology developed by scientists and engineers would be an example.

(2) Teaching of students in degree and diploma programs and offering of special courses and seminars for persons contemplating or actively engaged in Small Business.

(3) Offering of consulting services to small businesses that have not yet reached the stage at which they can afford or utilize private professional services. It may be expected that part of this service would include suggesting the nature of available private professional services that are appropriate.

The development of an economic and political climate favourable to innovation and entrepreneurship is important to Ontario to create new jobs and to foster the general economic development of the Province. The attitude of the Government of Ontario in encouraging new and small businesses may play a significant role in developing increased entrepreneurial activity.

Our concern is to propose ways in which Ontario universities and other post-secondary educational institutions might play a part in encouraging Small Businesses, and we wish to suggest what additional resources are needed by them to make their role effective.

Support for agricultural activities, exists in agricultural extension services operating on university campuses in close cooperation with the universities. The value of services provided by such centres to farmers has apparently been recognized and appreciated by the beneficiaries, and has been the source of much goodwill to the governments

supporting the activities and to the cooperating universities. We suggest that analogous assistance to new developing enterprises, and to other small businesses will also be of significant value.

We have investigated ways in which universities have already engaged in activities supporting small innovative businesses. We find evidence from our sample of about fifty North American schools of business that many are either already engaged or are making plans to engage in activities to serve Small Business. We believe that some of the institutions of post-secondary education in Ontario should begin similar programs and further develop programs that have already been begun. It may be confidently expected that well-planned and well-financed programs will be of benefit to the Province through benefits received by Small Business and by students in the Ontario educational institutions. Society will benefit by the encouragement given to post-secondary students of business to consider the possibilities of themselves beginning new businesses.

To encourage entrepreneurship and small-business development through designated post-secondary educational institutions, it will be desirable, if not entirely necessary, to establish within these institutions, administrative units to plan, coordinate, and direct activities.

If this recommendation is accepted, each Ontario university and post-secondary educational institutions should be invited to apply for the right to establish a centre and should be asked to present arguments showing why it would be appropriate to locate a centre at that particular institution. Each of these centres will require seed money for a period of four years until revenues that may be expected from the consulting work and from special courses will begin. After four years, less support from the Province will be needed, but centres of this kind can never be fully supported from fees charged.

Use of Funds

Funds can be effectively used for the following:

1. Professorships: Holders of these special positions would be responsible for:

(a) Developing courses in entrepreneurship and innovation in business, and in the management of innovation.

(b) Encouraging student and faculty research in entrepreneurship and innovation.

(c) Organizing and directing special services to be provided by faculty and students, for new and small businesses. One objective would be to ensure continuations of services throughout the year, rather than only in summers.

2. Visiting professors with appropriate experience to assist faculties in launching programs effectively.

3. The development of courses, including the costs of library acquisitions and travel necessary for contacts with businesses and with other universities already engaged in similar programs.

4. Support for part-time faculty and seminar leaders drawn from active entrepreneurs and other specialists.

5. Student assistance.

Estimate of Program Cost

To provide some idea of the size of budget required for each university involved, the following is a list of categories of expenditures required during each of the first four years:

- Professor-Director's salary and fringe benefits
- Administrative expenses
- Faculty research stipends to allow for half-time research work and consulting for each of three faculty members.
- Visiting professor
- Course development
- Part-time faculty and seminar leaders
- Student Assistants (ten students) for full year, including full-time work in summer or in another term for four months.

A hypothetical program including the above expenditure items, has been carefully costed and it is estimated that the total budget required, would be $150,000/year/ university for these first four years. After this period, some fees for special courses and for consulting may be anticipated to reduce total annual funding by the Province and

our annual budget for each university may then be expected to approximate $90,000.

The actual number of centres and their total cost would depend on the submissions received, but if say five centres were established in Ontario, the total annual cost would be estimated to be $750,000 for each of the first four years, and $450,000 in the fifth and subsequent years.

S C H E D U L E D

RECOMMENDATION 4: RESEARCH STUDY

THE ACHIEVE COMMITTEE RECOMMENDS THAT THE MINISTRY OF INDUSTRY AND TOURISM SHOULD COMMISSION A RESEARCH STUDY ON SMALL BUSINESS IN ONTARIO AT THE EARLIEST OPPORTUNITY.

An exhaustive search of the libraries, government institutions, and business journals has revealed that there is no meaningful body of information about the characteristics of the small business community. Such information does exist for certain other industries, which has resulted in the formulation of well-founded, effective legislation.

The development of a comprehensive information base is fundamental to the development of meaningful policies. When this information has been gathered, the suggested organization will be in a sound position to formulate and assess the policies and priorities for Small Business in Ontario.

The ACHIEVE Committee initiated the development of such an information base; an authorized study has demonstrated the feasibility of a computer-based collection of relevant details of 15,000 Ontario small businesses. A proposal for the execution of the complete study is attached (Appendix I), together with the sample questionnaire (Appendix II).

National Selective Service Appeal Board

Room 509, 1724 F Street NW., Washington, D.C. 20435.
Phone, 202—343–1100, Ext. 7181

Chairman	LEVI A. JACKSON.
Member	E. G. BANKS.
Member	CHARLES N. COLLATOS.

CREATION AND AUTHORITY.—The National Selective Service Appeal Board was established by Executive Order 9988 of August 20, 1948, as amended by Executive Order 10116 of March 9, 1950. The Board consists of three civilian members appointed by the President. The President has authorized the National Board to determine upon appeal all questions of classification of registrants under the Military Selective Service Act of 1967. The National Board makes its determinations within the law, the regulations, and the policies of the Director of Selective Service.

Approved.

CURTIS W. TARR,
Director of Selective Service.

SMALL BUSINESS ADMINISTRATION

Revised July 1971

1441 L Street NW., Washington, D.C. 20416. Phone, 202—393-3111

Administrator	THOMAS S. KLEPPE.
Principal Special Assistant to the Administrator	LOREN J. RIVARD.
Office of Equal Employment Opportunity and Compliance	CONNIE MACK HIGGINS.
Deputy Administrator	ANTHONY G. CHASE.
Associate Administrator for Financial Assistance	JACK EACHON, JR.
Deputy Associate Administrator for Financial Assistance	ANTHONY S. STASIO.
Associate Administrator for Procurement and Management Assistance	MARSHALL J. PARKER.
Deputy Associate Administrator for Procurement and Management Assistance	CLYDE B. BOTHMER.
Associate Administrator for Operations and Investment	ARTHUR H. SINGER.
Deputy Associate Administrator for Investment	JAMES T. PHELAN.
General Counsel	JOHN A. KNEBEL.
Deputy General Counsel	WILLIAM T. GENNETTI.
Assistant Administrator for Congressional and Public Affairs	C. THOMAS WILCK.
Director, Office of Public Information	RAYMOND E. STULL.
Assistant Administrator for Administration	CLAUDE ALEXANDER.
Deputy Assistant Administrator for Administration (Comptroller)	PAUL S. HOWELL.
Deputy Assistant Administrator for Administration (Management)	ARTHUR D. HORNER.
Assistant Administrator for Minority Enterprise	ARTHUR MCZIER.
Assistant Administrator for Planning, Research, and Analysis	WILFRED J. GARVIN.

CREATION AND AUTHORITY.—The Small Business Administration was created by the Small Business Act of 1953 (67 Stat. 232), and derives its present existence and authority from the Small Business Act (72 Stat. 384; 15 U.S.C. 631 et seq.), as amended. It also derives its authority from the

Small Business Investment Act of 1958 (72 Stat. 689; 15 U.S.C. 661), as amended, section 213(a) of the War Claims Act of 1948, as amended (76 Stat. 1111; 50 U.S.C. App. 2017*l*), and title IV of the Economic Opportunity Act of 1964 (78 Stat. 526, as amended; 42 U.S.C. 2901 et seq.), and the Disaster Relief Act of 1970 (84 Stat. 1744; 42 U.S.C. 4401 et seq.). The Secretary of the Department of Housing and Urban Development, by authority in section 312(f) of the Housing Act of 1964 (78 Stat. 791; 42 U.S.C. 1452), has delegated to the Administration certain responsibilities and functions under the loan program for rehabilitation of nonresidental property. The Secretary of Commerce has delegated to the Administration certain responsibilities and functions under section 202 of the Public Works and Economic Development Act of 1965 (79 Stat. 556; 42 U.S.C. 3142).

PURPOSE.—The fundamental purposes of the Administration are to: aid, counsel, assist, and protect the interests of small business; insure that small business concerns receive a fair proportion of Government purchases, contracts, and subcontracts, as well as of the sales of Government property; make loans to small business concerns, State and local development companies, and the victims of floods or other catastrophes; license, regulate, and make loans to small business investment companies; improve the management skills of small business owners, potential owners, and managers; and conduct studies of the economic environment.

ORGANIZATION.—The management of the Administration is vested in an Administrator, who is appointed by the President, by and with the advice and consent of the Senate, a Deputy Administrator, and three Associate Administrators, who are appointed by the Administrator to assist him in the execution of the functions of the Administration.

FUNCTIONS AND ACTIVITIES

FINANCIAL ASSISTANCE.—The Small Business Administration provides financial counseling and loan guarantees, and makes direct or lender participation loans to small business concerns to: help them finance plant construction, conversion, or expansion; finance the acquisition of equipment, facilities, machinery, supplies, or materials; and, if necessary, provide them with working capital. Loans are provided to assist small businesses which: sustained substantial economic injury resulting from a major or natural disaster; have been economically injured by a federally aided urban renewal or highway construction program, or by any construction program conducted with Federal funds; may suffer economic injury as the result of the requirements of Occupational Safety and Health Act or the Egg Products Inspection Act of 1970 or the Wholesome Meat Act of 1970; suffered economic injury as a result of their inability to process or market a product for human consumption because of disease or toxicity occurring in the product through natural or undetermined causes; require assistance, on the basis of certifications by the Secretary of Commerce, in adjusting to changed economic conditions resulting from increased competition from imported articles. The agency also guarantees the payment of rentals under leases entered into by small business concerns and guarantees up to 90 percent of surety contracts to surety companies for small contractors.

SBA provides loans to corporations formed and capitalized by a group of small business concerns with resources provided by them for the purpose of obtaining raw materials, equipment, inventories, supplies, or the benefits of research and development for their own use, or for establishing facilities for such purposes. The victims of floods, riots, civil disorders, and other cata-

FIELD OFFICES—SMALL BUSINESS ADMINISTRATION

(RD: Regional Director; DD: District Director; BM: Branch Manager; IC: In Charge)

Region	Officer In Charge	Address
I. Boston, Mass., 02203	David P. Hellner, RD	John F. Kennedy Federal Bldg.
Augusta, Maine, 04330	Milton G. Wheeler, DD	Federal Bldg.
Concord, N.H., 03301	Josaphat T. Benoit, DD	55 Pleasant St.
Hartford, Conn., 06103	Thomas E. Higgins, DD	Federal Bldg.
Montpelier, Vt., 05601	William P. Geary, DD	Federal Bldg.
Providence, R.I., 02903	Charles J. Fogarty, DD	57 Eddy St.
II. New York, N.Y., 10007	Carlos A. Villarini, RD	26 Federal Plaza.
Albany, N.Y., 12207	William Tierney, IC	91 State St.
Hato Rey, P.R., 00919	Antonio Jordan, DD	255 Ponce De Leon Ave.
Newark, N.J., 07102	Andrew P. Lynch, DD	970 Broad St.
Syracuse, N.Y., 13202	J. Wilson Harrison, DD	Fayette and Salina Sts.
Buffalo, N.Y., 14203	Frank R. Lozo, BM	Federal Bldg.
III. Philadelphia, Pa., 19004	Russell Hamilton, RD	1317 Filbert St.
Wilmington, Del., 19801	Frank J. Leonard, BM, Acting	U.S. Customs House.
Baltimore, Md., 21201	Meredith R. Hoffmaster, DD	Federal Bldg.
Clarksburg, W. Va., 26301	Isaac R. Maycock, DD	109 N. 3d St.
Charleston, W. Va., 25301	John B. Dowdey, BM	U.S. Courthouse and Federal Bldg.
Pittsburgh, Pa., 15222	Fernand A. Thomassy, DD	Federal Bldg.
Richmond, Va., 23240	Thomas F. Rearin, DD	Federal Bldg.
Washington, D.C., 20417	B. Winford Smith, DD	1501 L St. NW.
IV. Atlanta, Ga., 30309	Wiley S. Messick, RD	1401 Peachtree St., NE.
Birmingham, Ala., 35205	Paul R. Brunson, DD	908 S. 20th St.
Charlotte, N.C., 28202	George W. Marshall, DD	222 S. Church St.
Columbia, S.C., 29201	Clarence H. Albright, DD	1801 Assembly St.
Jackson, Miss., 39205	George A. Feild, DD	U.S. Post Office and Courthouse.
Gulfport, Miss., 39501	Charles L. Ferguson, BM	Hancock Bldg.
Jacksonville, Fla., 32202	Douglas E. McAllister, DD	Federal Office Bldg.
Miami, Fla., 33130	Thomas A. Butler, DD	Federal Office Bldg.
Tampa, Fla., 33602	Richard J. Green, IC	Federal Office Bldg.
Nashville, Tenn., 37219	Joseph C. Loring, DD	500 Union St.
Knoxville, Tenn., 37902	Brice W. Jordan, BM	502 Gay St.
Louisville, Ky., 40202	R. B. Blankenship, DD	Federal Office Bldg.
V. Chicago, Ill., 60604	Robert A. Dwyer, RD	Federal Office Bldg.
Springfield, Ill., 62701	Warren C. Keith, BM	502 E. Monroe St.
Detroit, Mich., 48226	Robert E. Phillips, DD	1249 Washington Blvd.
Marquette, Mich., 49855	Harold W. Clemons, BM	290 McClellan St.
Indianapolis, Ind., 46204	Robert V. Hinshaw, DD	575 S. Pennsylvania St.
Madison, Wis., 53703	Erdine D. Murray, DD	22 W. Main St.
Milwaukee, Wis., 53203	Earl Knuth, BM, Acting	238 W. Wisconsin Ave.
Minneapolis, Minn., 55402	Harry A. Sieben, DD	816 2d Ave. S.
Cleveland, Ohio, 44199	Anton R. Faller, DD	Federal Bldg.
Columbus, Ohio, 43215	John R. Hall, DD, Acting	50 W. Gay St.
Cincinnati, Ohio, 45202	Cecil G. Boatright, BM	Federal Bldg.
VI. Dallas, Tex., 75202	Frederick S. Neumann, RD, Acting	1100 Commerce St.
Albuquerque, N. Mex., 87101	Clifford J. Hawley, DD	Federal Bldg. and U.S. Courthouse.
Houston, Tex., 77002	Donald D. Grose, DD, Acting	808 Travis St.
Little Rock, Ark., 72201	Chris W. Ferguson, DD	Post Office and Courthouse Bldg.
Lubbock, Tex., 79408	Frederick S. Neumann, DD	Federal Office Bldg.
El Paso, Tex., 79901	Conrad P. Ramirez, BM, Acting	109 N. Oregon St.
Marshall, Tex., 75670	Harry Martin, DD	505 E. Travis St.
New Orleans, La., 70130	William F. Murfin, DD	124 Camp St.
Oklahoma City, Okla., 73102	E. Bruce Calky, DD	200 N. Hudson St.
San Antonio, Tex., 78205	James S. Reed, DD	301 Broadway
Lower Rio Grande Valley Office—Harlingen, Tex., 78550	James R. Woodall, DD	219 E. Jackson St.
Corpus Christi, Tex., 78401	Rudy Garza, BM	U.S. Post Office and Customhouse.
VII. Kansas City, Mo., 64106	C. I. Moyer, RD	911 Walnut St.
Des Moines, Iowa, 50309	Edgar J. Koch, DD	New Federal Bldg.
Omaha, Nebr., 68102	Rick S. Budd, DD	Federal Bldg.
St. Louis, Mo., 63102	Melvyn A. Harrington, DD	Federal Bldg.
Wichita, Kans., 67202	Deryl K. Schuster, DD	120 S. Market St.
VIII. Denver, Colo., 80202	Edwin Jenison, RD	721 19th St.
Casper, Wyo., 82601	Jerry S. King, DD	300 N. Center St.
Fargo, N. Dak., 58102	E. Maine Shafer, DD	Federal Office Bldg.
Helena, Mont., 59601	George B. Schotte, DD	Corner Main and 6th Ave.
Salt Lake City, Utah, 84111	Clair R. Hopkins, DD	Federal Bldg.
Sioux Falls, S. Dak., 57102	John C. Nickerman, DD	8th and Main Ave.
IX. San Francisco, Calif., 94102	Donald E. McLarnan, RD	Federal Bldg.
Fresno, Calif., 93721	Robert Strauss, IC	Federal Bldg.
Honolulu, Hawaii, 96813	George Shiroma, DD	1149 Bethel St.
Agana, Guam, 96910	Jose M. L. Lujan, BM, Acting	Ada Plaza Center Bldg., P.O. Box 927.
Los Angeles, Calif., 90014	Gilbert Montano, DD	849 S. Broadway.
Las Vegas, Nev., 89101	Morris Spencer, BM	300 Las Vegas Blvd.

FIELD OFFICES—SMALL BUSINESS ADMINISTRATION—Continued

(RD: Regional Director; DD: District Director; BM: Branch Manager; IC: In Charge)

Region	Officer in Charge	Address
IX—Continued		
Phoenix, Ariz., 85004	Stanley D. Goldberg, DD	112 N. Central Ave.
San Diego, Calif., 92101	John W. Quimby, DD	110 West C St.
X. Seattle, Wash., 98104	Forbes M. Bruce, RD	506 Second Ave.
Anchorage, Alaska, 99501	Frank D. Cox, DD	1016 W. Sixth Ave.
Fairbanks, Alaska, 99701	Morris R. Carpenter, BM	504 Third Ave.
Boise, Idaho, 83701	Oliver T. Davis, DD	216 N. Eighth St.
Portland, Oreg., 97205	Albert E. Lofstrand, DD	921 S.W. Washington St.
Spokane, Wash., 99210	William S. Schumacher, DD	U.S. Courthouse.

trophes are provided with loans to aid them in repairing, rebuilding, or replacing their homes, businesses, or other property. Loans for the rehabilitation of non-residential property in urban renewal areas are processed and serviced by SBA for the Office of Renewal Assistance. Loans are also made to help small coal mines meet standards set by the Coal Mine Health and Safety Act of 1969.

Under provisions of sections 501 and 502 of the Small Business Investment Act, loans are made to State and local development companies. The agency also makes, participates in, or guarantees economic opportunity loans made under provisions contained in title IV of the Economic Opportunity Act.

PROCUREMENT AND MANAGEMENT ASSISTANCE. — Where appropriate, SBA certifies to Government procurement officers the capacity of a small business to perform a specific Government contract. It establishes "size standards" to designate what business enterprises shall be designated as small business concerns with respect to Government procurement, SBA lending, property disposal, the allocation or distribution of materials and supplies, and assistance from licensed small business investment or State and local development companies. The procurement procedures, records, and contract files of other agencies may be reviewed for the purpose of checking the administration and effectiveness of the set-aside program under which Government procurements are being set aside for exclusive bidding by small business.

SBA enters into Government prime contracts and sublets their performance to small business. It participates and consults with other Government agencies in connection with their issuance of orders and formulation of policies affecting small business concerns, encourages the letting of subcontracts by Government prime contractors, and insures fair and reasonable treatment for small business.

The agency inventories the productive facilities of small business concerns, and ascertains and coordinates the means whereby their productive capacity can be utilized most effectively.

The Administration cosponsors courses and conferences, prepares informational leaflets and booklets, and encourages research into the management problems of small business concerns. It counsels, and conducts management workshops for, individual as well as prospective businessmen, and enlists the volunteer aid of retired and active executives to assist small businessmen in overcoming their management problems. It also renders management and financial assistance to small business concerns in order to promote their active participation in the Nation's foreign trade.

SBA works with large manufacturers, wholesalers, and trade associations to encourage them to initiate or expand improved management development programs for their small customers, suppliers, or members.

To provide technical assistance to small business concerns, SBA assists small businesses to obtain the benefits of Government-sponsored research and development. It also approves small business defense production pools and research and development pools.

INVESTMENT ASSISTANCE.—For the purpose of improving and stimulating the national economy and the small business segment thereof, the Administration licenses, regulates, and provides financial assistance to small business investment companies (SBIC's) and minority enterprise small business investment companies (MESBIC's). The sole function of these investment companies is to provide advisory services and venture capital in the form of equity financing and long-term loan funds to small business concerns for SBIC's and MESBIC's, small firms owned by the socially or economically disadvantaged.

PLANNING, RESEARCH, AND ANALYSIS.—SBA conducts economic and statistical research into matters affecting the competitive strength of small business. It researches the effect of Federal laws, programs, and regulations on small business, and makes recommendations to Federal agencies for appropriate adjustments to meet the needs of small business. SBA also analyzes the economic and social effects of its own activities, and prepares recommendations on long-term legislative requirements. The agency participates in the Government-wide Planning-Programming and Budgeting systems, and in this connection it develops 5-year plans outlining resource requirements for the agency.

The Administration maintains liaison with universities and other groups conducting research and studying economic factors pertaining to small business, and furnishes economic and statistical information to aid them in carrying out those studies.

Emphasis is placed on the application of economic analyses to the problem of allocating the agency's resources among its programs and field offices to obtain the maximum benefit to the small business community and achieve agency objectives.

For further information, contact the Office of Information, 1441 L Street NW., Washington, D.C. 20416. Phone, 202—382-1391.

Approved.

THOMAS S. KLEPPE,
Administrator.

SMITHSONIAN INSTITUTION

1000 Jefferson Drive SW., Washington, D.C. 20560. Phone, 202—628-4422

THE ESTABLISHMENT

THE PRESIDENT OF THE UNITED STATES.
THE VICE PRESIDENT OF THE UNITED STATES.
THE CHIEF JUSTICE OF THE UNITED STATES.
THE SECRETARY OF STATE.
THE SECRETARY OF THE TREASURY.
THE SECRETARY OF DEFENSE.
THE ATTORNEY GENERAL.
THE POSTMASTER GENERAL.
THE SECRETARY OF THE INTERIOR.
THE SECRETARY OF AGRICULTURE.
THE SECRETARY OF COMMERCE.
THE SECRETARY OF LABOR.
THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE.
THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT.
THE SECRETARY OF TRANSPORTATION.

INTERNATIONAL BUSINESS AND EDUCATION EXPLORATION TEAM

Highlight of Report

As a result of its meetings and discussions, the Team has arrived at three main recommendations:

1. Establish an Ontario International Business Education and Development Centre as an independent agency with a board of Directors and a small staff. Recommendations are made regarding its purposes, board composition, specific projects to be undertaken, and qualifications of the director and staff. The Provincial Government would be the major source of funds.

2. Accelerate the already emerging interest in international business in some Universities by allocating special funds for international business studies.

3. Appoint a senior official within the Ministry to plan and coordinate provincial government action in the area of international trade.

The recommendations are based on a genuine concern within the team about the international trade position of Ontario industry.

INTERNATIONAL BUSINESS AND EDUCATION EXPLORATION TEAM

The International Business and Educational Exploration Team was appointed by Mr. John H. White, Minister of Industry and Tourism with the following broad guides:

"To investigate the requirements for international business programmes and to decide on how best to present international business studies in one or more institutes of higher learning in Ontario, taking into account the special conditions which exist".

During its deliberations the Team discussed some of the main problems facing international trade in Canada, assessed possible solutions, and now makes some recommendations in the area of international business education for consideration by the Minister of Industry and Tourism and the officials in that department. Basic to the recommendations are the identification of a number of important gaps in dealing with the present and emerging problems in international trade in Canada in general, and Ontario in particular. The Team has discussed broader problems of international trade and has regarded higher education as only one of the ways of dealing with these problems.

No new research has been initiated by the Team, but members of the Team brought a range of backgrounds of experience in business and government, reading, writing, teaching, and consulting to bear on the problems.

To achieve our social and economic goals in Canada in general and Ontario in particular, we must turn in a successful performance in international trade. However, we are faced with numerous problems, both old and new, that are working against our success in this area.

While some impediments may be beyond our control, there is, nevertheless much we can do to maintain and improve our position in international trade. Two of the main tools available to the provincial government to bring about such an improvement are education, broadly defined, which will change attitudes and increase knowledge; and legislation to introduce or modify incentives and disincentives which will induce changes in business behaviour.

At present,there is no large and well-rounded programme in international business in either the Province of Ontario or in Canada, covering the areas of research, teaching and management consulting, and related to problems of decision making and planning for business and government in the international area. Some strengthening of international business in institutions of higher learning is necessary, as one part of a larger programme.

Further, additional sources and a wide variety of methods should be employed to "educate" individuals, firms, and legislators. In addition to formal courses in post-secondary institutions, these methods should include short courses, publications, access to data files, consulting advice etc.

There is also much to be done in terms of taking advantage of already existing public and private educational resources, whether they be courses, publications, or advisory services. The coordination, promotion, packaging, and delivery of these resources leaves many opportunities for improvement.

If success in international trade is really important to Ontario, as the Team believes it is, then international trade should be given much greater importance and focus in the Ministry. The Provincial Government requires greater concentration of professional resources to deal effectively with encouragement of programmes related to international trade in particular. There should be someone at a very senior level with principal responsibility for encouragement of international trade.

RECOMMENDATIONS

The following recommendations are made on the basis of the Teams' views on the source of the problems, recognizing that additional work will be necessary prior to implementation.

1. Ontario International Business Education and Development Centre:

The team recommends that the Provincial Government provide funds to establish an Ontario International Business Education and Development Centre with a Director and a small staff. The objective of the Centre would be to increase international business revenues. The Centre would do this by making available integrated and sufficiently complete packages of information, data and education to help and stimulate specific industries and companies to improve their effectiveness in international business.

The Centre would act primarily as a catalyst and would seek to co-ordinate and stimulate the activities of other institutions and organizations.

In pursuit of the above objectives, the activities of the Centre would include:

—the commissioning of studies to demonstrate opportunities and provide action programmes tailor-made for specific industries and companies leading to both short and long-term programmes;

— the taking of appropriate steps to assemble and ensure easy access to a data bank of information appropriate to the pursuit of opportunities in international business;

— catalogue and, as necessary, take action to initiate, improve, or coordinate courses necessary to pursue opportunities in international business and to make recommendations to the Minister on the educational needs of industry;

— communicate with all institutions, agencies, associations, and individuals presently involved in international trade in any way, with a view to coordination and promotion of programmes, and to solicit their support in doing so.

— in addition to pursuing on own initiative, opportunities for research and education judged to be of a high priority, also provide information and assistance upon request.

The Centre would function as an independent agency rather than as a branch within the Ministry. A Board of Directors would be appointed with representatives from the Provincial Government, from business and industry associations, and from the universities and community colleges. As an example, the Board of Directors might consist of four representatives from business and industry associations, four from the Ministry of Industry and Tourism, one from the Ministry of Universities and Colleges, three from the universities and community colleges, and the Director of the Centre. The function of the Board would be to set policies for the general management of the Centre, its priorities, and the allocation of resources. The Board would be responsible for approving the budget for the operation of the Centre and forwarding requests for the necessary funds to the Minister. Financial support from the private sector would also be solicited. The Director of the Centre would be appointed by the Board of Directors. The Centre would file an annual report with the Minister of Industry and Tourism.

It would be desirable to rotate the small staff, with some staff having experience in business, government and the universities working in the Centre for a period of time.

The Team discussed various specific projects with which the Centre might concern itself in pursuing the objectives cited earlier. The following appeared to be particularly worthy of attention:

a) Study of Export Performance and Potential:

Canadian manufacturing firms could be grouped into four categories of companies:

- - those that export and do well;
- - those that export and do poorly;
- - those that could export but don't; and
- - those that cannot.

More study of actual experience, an inventory of companies and their experiences, and a study of the reasons for the differences would be useful. It might also be desirable to cover the export performance of some well-known foreign companies who have achieved outstanding success internationally.

b) Inventory of Existing International Business Courses

A study would be undertaken to develop an International Business Matrix which would identify the " information modules " which make up existing courses.

A variety of courses in aspects of international business are already available and being given by the provincial government, trade associations, community colleges and universities.

Information on these courses (aims and objectives, content qualifications of teaching staff, level of staff they are designed for) is hard to obtain and there is a clear need to bring this information together, organize it into the Matrix, and make it accessible to potential users, such as business, educational institutions and governments. This should be put on a computer as part of the proposed data base.

The comparison of existing courses with the international business Matrix would indicate any overlapping of courses or gaps which need filling and thus facilitate course development and planning. It could also illustrate how particular courses would be appropriate for various levels of functions and responsibilities in the business community, and thus facilitate course selection and training programmes for personnel. It will also enable us to make comparisons with educational business programmes in other major trading countries.

The possibility of certification of courses by the International Business Education and Development Centre should be considered.

To make this material readily available, once prepared, it is proposed that it be set up in a data bank, with access available through the Provincial Department of Industry and Tourism, the Federal Department of Industry, Trade and Commerce, and the interested universities and community colleges. The costs of developing this material will be greater than disseminating it; so it is important to facilitate easy access to users, such as business, educational institutions, and government.

In light of the potential value of this service, it is now necessary for adequate resources to be allocated to this task.

Two central features of our recommendations are government financing and yet substantial independence. Such a Centre can provide useful services to many organizations and the government should therefore largely finance it. At the same time, some of the organizations the Centre is designed to assist, and with which the Centre must develop a cooperative relationship, would find it easier to work with an independent agency.

The major functions of the Centre would emphasize specific educational purposes that would have fairly quick results. However, many of the major impediments to more successful export performance would still persist and would require further study to devise longer-term solutions to such deep-seated problems as high cost-low productivity in Canadian manufacturing, the presence of tariff and non-tariff trade impediments and barriers, the low priority for export in business strategic planning in Canada, and parent-subsidiary relations. The development of solutions to these basic and deep-seated Canadian problems are more appropriately handled as part of a longer-term university-centred programme of international business.

In light of the important functions proposed for the Centre, it is important that a high-calibre man be obtained as Director.

2. International Business at Universities

The Team recommends that Ontario, with the advice of the Centre, accelerate the already emerging interest in international business in some universities by allocating special funds to sponsor relevant studies, develop cases, courses, executive development programmes, and cover the related costs of research assistants, travel, and overhead for expansion of international business programmes. It can proceed and encourage more resources in international business at the universities even while the formation of the International Business Education and Development Centre is under way. The federal government might also be encouraged to fund specific research projects of interest to them, perhaps thereby overcoming the current objections in principle by some provinces to the earlier federal proposal.

Another way that the Centre could stimulate interest in international business at the university level would be to encourage an enlarged hiring of students for summer and short-term jobs with firms engaged in international busin (including smaller ones), export associations, the federal Department of Industry Trade and Commerce, and the Provincial Department of Industry and Tourism. This would expose full-time younger students to activities in the international area, give more practical experience, and would be a useful step to improve communication between international business students and government.

Although a number of Ontario universities have a few faculty members interested in international business and a number of courses are available, there are, as yet, no well-rounded programmes of teaching, research and consulting services available in any of the schools of business, management science, and administration. At the same time, almost all the universities have courses in international trade taught in economic departments at both the graduate and undergraduate levels but such faculty have only rarely related this to business decision making. A large number of international business programmes are now available in the United States, even though international trade is much smaller in relation to GNP than it is in Canada.

The costs of initially developing a comprehensive international business programme for Canada (no matter how many universities were involved) would be more than could easily be financed by fees and BIU's from interested students. To be reasonably comprehensive of relevant business fields (economics, management, finance and marketing, for example) and related departments (political science, sociology, law and economics, for example), a fair range of faculty and professional interests would be involved. Some intensive studies of the longer-term and deep-seated impediments to Canadian exports and the changes in public and private policies to reduce or eliminate these impediments would be necessary. Development of cases and courses particularly related to Canada in a number of major fields are necessary, including the development of courses for senior management. Travel of faculty to foreign countries, research assistance, and course development will require funds.

Visiting Professors from other universities (in Ontario, from other provinces, and abroad) could facilitate covering the main areas of knowledge, and facilitate the diffusion of information to other universities.

Since the federal programme of development grants to selected Canadian universities and student fellowships in international business has been rejected, the Province of Ontario should, in the Team's view, proceed on its own and has a special responsibility to do so.

3. Responsibility for International Trade within the Ontario Government

During its deliberations, most members of the Task Force expressed concern about the short and long-term future of international trade in Canada, and the more active and successful trade performance of such countries as Japan, West Germany and France. Canadian trade and economic development in Ontario are threatened by such developments as the enlarged common market in Europe and DISC in the United States. International trade does not receive the same priority and attention in Canada as in some other countries. Industry of Ontario is the regional group that could benefit most from a more active trade policy and improved performance on costs and productivity in world markets. Should the provincial government begin to take a more active role in this area? Should greater effort be made to represent Ontario's views on tariffs and their costs and effects to Ottawa? Should an Assistant Deputy Minister be given special responsibility to coordinate government action in this area? While it is outside our terms of reference, a majority of the members of the Task Force are convinced that the answer to these questions is yes.

* * * * * * * * * * *

In conclusion, the Team urges the Minister of Industry and Tourism to give urgent attention to the following recommendations:

1. Establish an Ontario International Business Education and Development Centre.

2. On the advice of the Centre, allocate special funds for the development of more international business studies to universities and community colleges within the province.

3. Appoint a senior official within the Ministry to plan and coordinate provincial government action in the area of international trade.

CANADIAN FOREIGN TRADE:
A NOTE ON PROBLEMS AND NEEDS

Historically, Canada's foreign trade and balance of payments position has reflected five important characteristics.

1. Merchandise exports have historically been dominated by the export of primary materials, involving only a limited amount of processing or manufacture.

2. Imports, on the other hand, have consisted of a highly diversified range of manufactured products, industrial materials, and tropical foods and spices.

3. The invisibles in the balance of payments have tended to be dominated by large net payments of interest and dividends reflecting the payments on past direct investment and foreign borrowing.

4. Relatively free capital movements provided any shorter-term and longer-term financing of balance of payments disequilibrium for Canada.

5. Since the mid-1930's, Canadian commercial policy has been directed to general tariff reductions on a multilateral basis.

During the 1960's and 1970's, changes in the international financial system, new trends in the composition of world trade, the strengthened competitive position of Japan and the European countries, and new aspirations in the developing countries have been emerging in the world environment. Some shifts in Canadian views have been taking place and new information has been developed on the Canadian economy. The highlights of some of these developments, that have relevance for the study of international business in Ontario, would include such points as the following:

1. Secondary manufacturing in Canada reflects a high cost-low productivity situation in relation to United States and other producing countries. This is particularly so for secondary manufacturing, and the level of output per person employed in total manufacturing is about one third lower than in the United States. Even with lower wage rates in Canada, costs per unit are frequently higher than in the United States, and evidence on this has been contained in studies by J.H. Young, A.E. Safarian, E.C. West and by the Economic Council of Canada and the National Industrial Conference Board. The dramatic increases in manufacturing productivity in Japan and some of the European countries suggest that manufacturers in these countries are emerging as stronger competitors for Canadian and United States producers both in North American and third country markets, although the realignment of exchange rates in December 1971 may offset and moderate these pressures. Wage increases in Canada and the appreciation of the Canadian dollar since 1970 has tended to weaken Canada's competitive position in recent years. Serious attention to Ontario's competitive position, both short-term and long-term is needed.

2. The possibility of additional exports of more highly processed industrial materials by Canadian producers may be limited by the fact that prices of a variety of such Canadian materials are higher to producers in Canada than the same products sold in export markets. Evidence on this point is included in Scale and Specialization in Canadian Manufacturing, Staff Study No. 21 for the Economic Council of Canada (Ottawa, the Queen's Printer, 1967) and has been encountered by the Tariff Board in some of their studies.

3. Management in Canada has been recruited from a variety of sources, but has moved into positions of middle and senior management much later in working life than has been the pattern in the United States. Furthermore, the proportion with higher levels of education has been lower than in the United States, reflecting the pattern in the labour force as a whole. There is a danger that they may be less aware of newer and more productive approaches to organization management, and production, than competitors in the United States. There are dangers of conflict as the enlarged number of younger university graduates move into organizations with knowledge of the computer and newer methods while existing management have moved to the top with quite different backgrounds. The gap between current practice and best practice is probably wider currently in Canada than in the United States. The possible conflicts on methods, basis of decision-making, sources of authority and expertise could lead to significant conflict within organizations between people of differing backgrounds.

4. The thrust of multilateral tariff reductions of the last twenty-five years has tended to be supplemented or even replaced by the increased support and strength for regional tariff groupings. The widening of the European Economic Community to involve some of the key members of the European Free Trade Area is leading to a free trade market for industrial products in a grouping of countries with a total population approaching 280 million. Other regional trading blocks are being explored in Latin America and South East Asia. The United States, with 200 million people, and Japan, with 100 million people, have large domestic populations as a domestic market base. Canada and Australia are emerging as the only two industrialized countries without access to a large free trade market. Canada's situation is more difficult as it is physically close to the United States, with knowledge of the lower prices for manufactured products and higher money and real wages only a few hundred miles away

5. The International Financial System has experienced increased strains among the key industrial countries, and a series of crises in exchange rates and international capital flows have illustrated the problems. Problems and crises in the balance of payments of such major countries as the United States, the United Kingdom, France, and Canada have occurred in recent years; and such countries as Japan, Germany and Canada have experienced large increases in exchange reserves. The United States introduced a variety of measures in August 1971, and a major realignment of currencies took place in December. The United States has implemented special tax arrangements under their DISC programme (Domestic International Sales Corporation). These developments can have important implications for international trade, direct investment, and capital movements in relation to the Canadian economy.

6. There is a significant degree of foreign ownership and control in Canadian extractive industries (petroleum, mining, forestry, pulp and paper) and secondary manufacturing (especially automobiles, Chemicals and consumer durables). The evidence suggests that there is little difference in the performance of Canadian-owned and foreign-owned companies in the same industry, but there is a wide range of views about what, if anything, should be done in this area. At the federal level, the Gordon Commission, the Watkin's Task Force,and the Gray Report have explored this topic.

7. Levels of government expenditures and taxes are somewhat higher in Canada than in the United States, in spite of larger military expenditures south of the border. The structure of taxation accentuates the higher prices of manufactured goods in Canada compared to the United States, and the marginal rates of personal income tax are significantly higher in Canada in the $15,000 to $25,000 range. These tax differences affect the movement of key managerial and professional staff,and can have indirect effects on trade and investment. It is important that taxation be designed to encourage rather than discourage international trade.

REPORT

of the

TRADING CORPORATION EXPLORATION TEAM

December, 1972

SUMMARY OUTLINE OF RECOMMENDATIONS

Purpose: To increase employment and income in Ontario through trade and exports.

Concept: A double-barrelled approach comprising (A) a central trading corporation with general functions, and (B) where appropriate promoting and working in conjunction with a series of specialized trading corporations in the form of consortia geared to specific industries, products or activities.

A. Trading Corporation

-A flexible company to develop international trade

-The company to be established with initial financing by the Ontario Government with the objective of becoming financially self-sustaining after five years and being jointly owned by government, business and the public

Functions:

a) organizer
b) provider of special skills and resources
c) communicator
d) switch trader
e) sponsor
f) banker
g) risk-taker
h) spot trader

Constraints:

a) government sponsored; operates in private sector.
b) not a vehicle for long-term export subsidies.
c) emphasis on off-shore markets with expected incremental effect on trade after five years running to $250 million per year.

Structure:

-A President and General Manager reporting to a Board of Directors.
-Board of Directors to consist of 12-15 Canadian Citizens, a majority resident in Ontario.

- initial appointments to be made by the Ontario Government.
- thereafter members to be elected by shareholders with a minimum of three members to be appointed by the Government.

Financing:

-Authorized share structure to be $100 million made up of common and preferred shares
-Government of Ontario to purchase 100,000 common shares per year at $10.00 per share, for a total of five years.
-After three years, common shares may be offered to industry and the public; Ontario Government to maintain a one-third equity interest.

-Ontario Government to consider lending (as needed) up to $50 million to the Company at a rate of one half of one percent above the rate at which the Ontario Government is currently borrowing funds.
-Deficits during the first five years will be limited to $1 million per year.

Personnel:
-Staff requirements (at home and abroad) estimated at 50 for the first year, increasing to 250 by year five, based on justifiable growth.

Revenue Sources:
-fees for services
-commissions
-trading profits
-Consortia participation
-assistance from Federal and Provincial Government support programs

B. Specialized Consortia

-Specialized autonomous trading corporations staffed to provide specialized skills in particular areas and held together and motivated by prospects of profit for their members.

-Owned by participants and financed and organized to suit their needs.

Potential Candidates:
-turnkey specialized projects (power plants, steel mills, small airports)
-medical equipment
-packaging machinery
-educational equipment
-specialty wood components
-printed circuits
-agricultural equipment
-recreational vehicles
-frozen foods

REPORT OF THE TRADING CORPORATION EXPLORATION TEAM

I Introduction

1. The Exploration Team held its first meeting, following confirmation of its membership, on May 29, 1972. Since then the full team and various sub-groups have met on numerous occasions to develop a Report for presentation to the Minister by the end of 1972. During our deliberations much useful assistance has been provided by the staff of the Ministry of Industry and Tourism. In addition, a selection of executives in a variety of industries have been consulted to test the Team's ideas as these have developed.

2. The Team has taken its terms of reference to be as follows:

(a) to determine if a "trading corporation" approach represents a significant opportunity to increase employment and income in Ontario through trade and exports;

(b) assuming an affirmative answer to (a), to outline the conceptual framework for a trading corporation that is to be operational by mid-1973.

3. Members of the Team unanimously support the concept of a trading corporation for Ontario. We recommend that the trading corporation described below be established.

4. Given the limited time and resources at our disposal, it has not been feasible to fill in all details of the proposal we make. Our aim has been to develop a plan to the point where we feel it provides an adequate basis for Government decision but does not unduly constrain further development

of the proposal, if it is adopted, by those appointed to execute it. This approach has been dictated not only by expediency but also by our view that the senior management of any newly-created trading corporation should be endowed with considerable flexibility to experiment and to pursue those approaches that, on the basis of growing experience, are most promising and productive.

5. The remainder of this Report consists of three sections. In section II the rationale for a trading corporation is discussed. Section III briefly considers a number of alternative strategies. Section IV outlines the framework for the trading corporation recommended by the Team.

II Rationale for a Trading Corporation

6. The case for a publicly initiated and financed trading corporation may be based on one or both of two premises:

(a) For a variety of reasons the Ontario Government should subsidize exports and a trading corporation provides an appropriate vehicle for doing so;

(b) There are impediments that prevent the community from fully exploiting its economic opportunities through foreign trade by relying upon the interplay between private buyers and sellers competing with each other for profitable opportunities in the market place.

7. The Team rejects the first of these premises: it is opposed to long-term export subsidies and the creation of a trading corporation as a means of providing such subsidies. In most situations exports can be justified if the return on sales abroad exceeds the domestic resource cost of production and marketing, which in a competitive economy is closely

reflected by market prices and costs. Further, if an export subsidy is to be provided, there are more efficient ways of doing so than by establishing a trading corporation.

8. A major implication of ruling out the use of a trading corporation as a method of subsidizing exports is that setting up such a corporation can be justified only if, after an initial starting-up period, it offers reasonable prospects of breaking even or making a profit. The Team views five years as the maximum period of time during which start-up losses should be tolerated and feels that every effort should be made to reach a break-even point even earlier. If it has not reached a break-even point after five years of operations, the Team believes that consideration should be given to terminating the corporation.

Rationale

9. The rationale for a trading corporation as envisaged by the Team rests essentially on the second premise noted earlier. In order to make a profit the corporation must be able to exploit market opportunities abroad which the private sector at present does not or, for some reason, cannot fully exploit. How realistic is this prospect? In the judgement of the Team it is sufficiently realistic to warrant the establishment of a trading corporation. This recommendation is based on the following considerations:

(a) Establishing a trading corporation would make it feasible to assemble a management team characterized by entrepreneurial talent, imagination and drive and focussing its attention squarely on exploiting profitable opportunities in foreign markets. Some private enterprises at present, of course, already pay considerable attention to foreign markets.

Such markets, however, tend to be neglected by many smaller firms because of the constraints of company size. Moreover, there is some evidence to suggest that in many larger firms as well international operations are overshadowed by domestic activities and receive lower priority and less support than may be warranted. Given its scale and scope and its focus on foreign markets, a trading corporation operating under an alert management team seems likely to find market opportunities that now probably are not pursued effectively.

(b) A trading corporation could assemble necessary information and expertise relating to foreign markets more economically and effectively than individual firms each operating on its own. Partly this is because much duplication of effort would be eliminated, partly because of the scale and scope of a trading corporation's activities and partly because of its close affiliation with Government departments, related institutions and utilities (e.g., Toronto Transportation Commission, Ontario Hydro, hospitals, educational institutions) whose resources and know-how could be more effectively tapped than at present.

(c) A trading corporation would make it feasible to circumvent some of the institutional barriers that now impair foreign trade. Some of these arise in connection with public enterprises which have important services to sell abroad but at present are constrained in their dealings with existing Government agencies and private firms. In addition, barriers arise from parent-affiliated ties and other types of arrangements which impede Canadian firms from themselves actively seeking markets abroad. Furthermore, such a corporation may assist in circumventing restrictions

that may be placed on the export activities of Canadian affiliates by foreign governments. Finally, by providing an effective local alternative the establishment of a trading corporation would probably forestall the use by Ontario firms of trading corporations based in other countries, including Europe and Japan whose interests now cannot be expected to include industrial development within Canada. The export interests of Ontario firms, when amalgamated with those of other firms in a foreign trading corporation, are unlikely to be served as effectively as in a locally-based Ontario trading corporation primarily interested in export sales from Ontario.

(d) A trading corporation could organize and participate in export consortia within common industries or product categories or capital projects. Such consortia would have several advantages: by combining their efforts producers would be able to investigate opportunities abroad more effectively and at lower cost; they would be able to offer a wider and better range of products and services to foreign buyers; they would be able to establish more effective distribution and marketing facilities; and they would be albe to provide better after-sales service at lower cost as well as facilities for spare parts, warehousing and the like. Moreover, having brought together a consortium to provide design, engineering, construction and other services, as well as to supply equipment for one large capital project, a trading corporation would provide an element of continuity in holding the consortium together for similar projects in the future.

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(e) A trading corporation, functioning with government affiliation, would be able to deal more effectively than a private corporation with the state-trading corporations found in many less-developed countries as well as in socialist-bloc economies. In addition, such a trading corporation might have somewhat more leverage than a private corporation in dealing with foreign government contracts.

(f) A trading corporation would have advantages over a private corporation because it would be more directly plugged into the many business services provided by the Federal Government and particularly by the Ontario Government.

(g) A trading corporation and any related consortia that it spawns, because of their ability to buy as well as sell in a wide range of product lines, would have considerably greater bargaining power than a private exporter. This would be particularly important in developing countries where currency restrictions and import controls pose a major barrier to Canadian exports. It would also be important for socialist-bloc countries. By being able to engage in switch trading on an extensive scale many opportunities would arise that now are foreclosed. This said, it must be recognized that such operations would have to be handled with considerable skill and caution in order to avoid strong local political opposition to the corporation's activities if these gave rise to significant import competition in sensitive areas.

(h) Acting as a catalyst, a trading corporation would be able to facilitate financing for foreign operations. This could include financing the production and sale of Ontario output. The role of the corporation might, however, be especially important in arranging for the local financing

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required in the export market to fund the production of any local production associated with the use made of Ontario exports. This is likely to be of special importance in developing countries. In performing this role the trading corporation should ensure that its role in fact remains catalytic. It should avoid financing local costs abroad to any significant extent through its own resources or by assuming liabilities. To do otherwise will expose the corporation to a great many difficulties arising from inconvertible currencies and the serious and growing inability of many developing countries to meet their external debt obligations.

(i) Because of the scale and scope of their operations, a trading corporation and its consortia would be able to absorb greater risks in foreign markets at lower cost than individual firms operating on their own.

Constraints

10. Consistent with this rationale, the Team has framed its proposal subject to the following constraints:

(a) The trading corporation would be sponsored and supported by the Ontario Government but would operate as a private corporation in the private sector. The Ontario Government would provide initial financing and appoint the first Board of Directors. Within five years part of these responsibilities would be turned over to the private sector.

(b) During the initial five-year period the Ontario Government would subsidize the operations of the corporation; after five years the corporation would be expected at least to break even.

(c) The activities of the corporation would be largely concentrated in foreign markets other than the U.S. for two reasons: (i) many of

the opportunities for doing more than is now done through the private sector, as outlined in paragraph 9, arise primarily in markets other than the U.S.; (ii) to avoid arousing difficulties with U.S. Government legislation such as Anti-Trust legislation, anti-dumping regulations and so forth. Excluding the U. S. Market, the trading corporation would begi from an Ontario export base of about $1,600 million, of which $600 million represents exports of fully manufactured products from Ontario to areas other than the U.S.* A trading corporation as proposed might be expected to increase exports to overseas markets from Ontario at today's prices by an estimated $250 million per year by the end of the fifth year.

(d) The corporation's activities would embrace not only Ontario companies but also companies from other Provinces and Canadian-based subsidiaries of foreign companies. However, initially at least the corporation would give special emphasis to Canadian companies predominantly based in Ontario.

11. Because of the scale and scope of the trading corporation's activities and because of the range of different types of opportunities it will need to exploit to be successful, the initial organizational structure of the trading corporation should be as flexible and adaptable as possible. For this reason, the plan developed in detail in section IV is based on the concept of a headquarters management team at the centre to develop a diverse range of activities under the aegis of the corporation. This concept allows wide differences, for example, in the

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* Ontario Exports by Countries, Ministry of Industry and Tourism, 1971

type of activities that are undertaken in the capital goods sector, in the service sectors, and in other sectors. It also affords the corporation an opportunity to build up its expertise through trial and error to determine the relative effectiveness of alternative approaches in a variety of product lines and geographic areas. In addition, this concept allows open-ended scope for the future development of the corporation's activities.

III Alternative Approaches

12. Before proceeding to the detailed plans embodying this concept, it is worth considering whether there is any viable alternative to a trading corporation which might cope as effectively with the considerations noted in paragraph 9. Although various steps could be taken in a variety of ways that would go some way to meeting these points, in the Team's view these steps would not be as effective in terms of their cost as the proposed trading corporation. If, however, alternative measures are taken prior to establishing a trading corporation, the general effect will be to erode some of the advantages to be gained from a trading corporation. For this reason the Team strongly recommends that plans for alternative measures, such as increasing the Ontario Government's trade representation abroad, be deferred until plans for a trading corporation have been decided upon. At that point the plans for the trading corporation and for alternative measures can be co-ordinated and developed jointly in an integrated way to maximize the difference between benefits and costs.

13. On the assumption that a trading corporation is established, the Government of Ontario should also consider how existing services within

the Ontario Government, such as existing trade offices abroad, might best fit in with the corporation's activities. In reviewing this matter consideration should be given not only to reshaping existing activities but also to phasing out some of these activities. If, for example, the trading corporation establishes effective representation abroad, it may be feasible to discontinue direct Government trade representation abroad in some countries.

14. Government savings, because of the corporation's activities, are likely to result for two reasons: (a) by being able to curtail expansion into new publicly-supported trade promotion and servicing activities; and (b) by being able to phase out some existing publicly-supported activities of this kind. Such savings, if diligently sought out, over time seem likely to more than make up for the public support required to finance the corporation's initial start-up losses.

IV Conceptual Framework for a Trading Corporation

A. The Trading Corporation

15. We propose the establishment of an incorporated company initially financed by the Ontario Government and eventually jointly owned by Government, industry and the public. It would consist of a central headquarters team equipped with or with special access to skills and/or resources in a number of areas.

Functions

16. (a) Organizer - A major function of the trading corporation would be to identify profitable trading opportunities. This would include the

organization of consortia, as described below, where this offers promising prospects.

(b) Provider of Special Skills and Resources - The corporation would assemble and make available specialized skills and resources required by individual companies or consortia engaged in foreign trade in situations where such services can be most economically provided by a central service organization, involving agents and representatives in target market areas. Other services might include the provision of distribution services, access to government Departments and agencies, public enterprises,(such as the Toronto Transportation Commission, the Ontario Hydro, hospitals, educational institutions and others) translation services, assistance with legal and regulatory measures and a wide range of information in such matters as tariffs, quotas, health regulations, etc.

(c) A communicator - The corporation would provide a two-way channel linking Ontario and Federal Government Departments and all associated agencies with private producers, individually and through consortia. The objective would be to direct opportunities to those producers that can take advantage of them and problems to those that can help resolve them. In addition, the corporation would provide a "foreign presence" to bring attention in importing countries to Ontario and Canada as a source of goods and services.

(d) A Switch Trader - The corporation would be expected to develop expertise of its own in this area and in addition to utilize the capabilities of professional traders who now work in this field. As such, its services would be available to individual companies and to consortia faced with barter trade possibilities. The corporation would also be

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closely tied in with Ontario and Federal Government purchasing policy, particularly as it relates to overseas purchases, and would employ this relationship to facilitate exports through non-critical purchases.

(e) A Sponsor - In situations, such as trade with socialist-bloc countries or less-developed countries, where government sponsorship or support would be helpful, the corporation could provide such sponsorship as might be appropriate. The corporation would also be in a position to provide performance guarantees, insurance, etc. that required tangible evidence of government sponsorship and support.

(f) A Banker - The corporation, either through its own resources or through resources available through other channels such as the ODC, the Federal Government or international agencies, would assist in the financing of foreign trade where a gap in present financial arrangements is evident. It would also actively attempt to improve arrangements to finance foreign trade in the private sector, including the commercial banks in Canada. In addition, it would seek to develop and enhance financial arrangements in importing countries that might facilitate trade with Ontario.

(g) A Risk-Taker - The corporation would at the discretion of the Board of Directors supplement existing arrangements to cover the risks incurred by foreign trade. This would be done by assuming some of the risks arising before firm orders are placed (a risk not now borne by EDC, which insures only against firm orders). It would also be done by spreading risks through the formation of consortia. In addition, the corporation would try to work out other effective methods of risk-averaging, such as the establishment of rediscount facilities, that would facilitate trade.

Among the risks to be considered are financial risks, political risks, acts of God, cost over-runs, warranty risks and foreign exchange risks.

(h) A Spot Trader - As profitable opportunities appear and as its activities develop, the corporation itself may wish to engage directly in export sales, taking title to goods and services and selling them abroad, and in import sales.

Organization and Structure

17. A tentative organizational structure for the corporation is shown in Figure I. The more detailed parts of this structure are little more than illustrative. At the beginning a Board of Directors will be required together with a President and General Manager and one or two more senior appointments. The Team believes these initial appointees should be given considerable flexibility in fleshing out the organization as their plans are worked out in detail. Moreover, the pace of expansion in various areas should be governed by their sense of priorities and should proceed only as fast as can be justified. This includes the question of overseas representation.

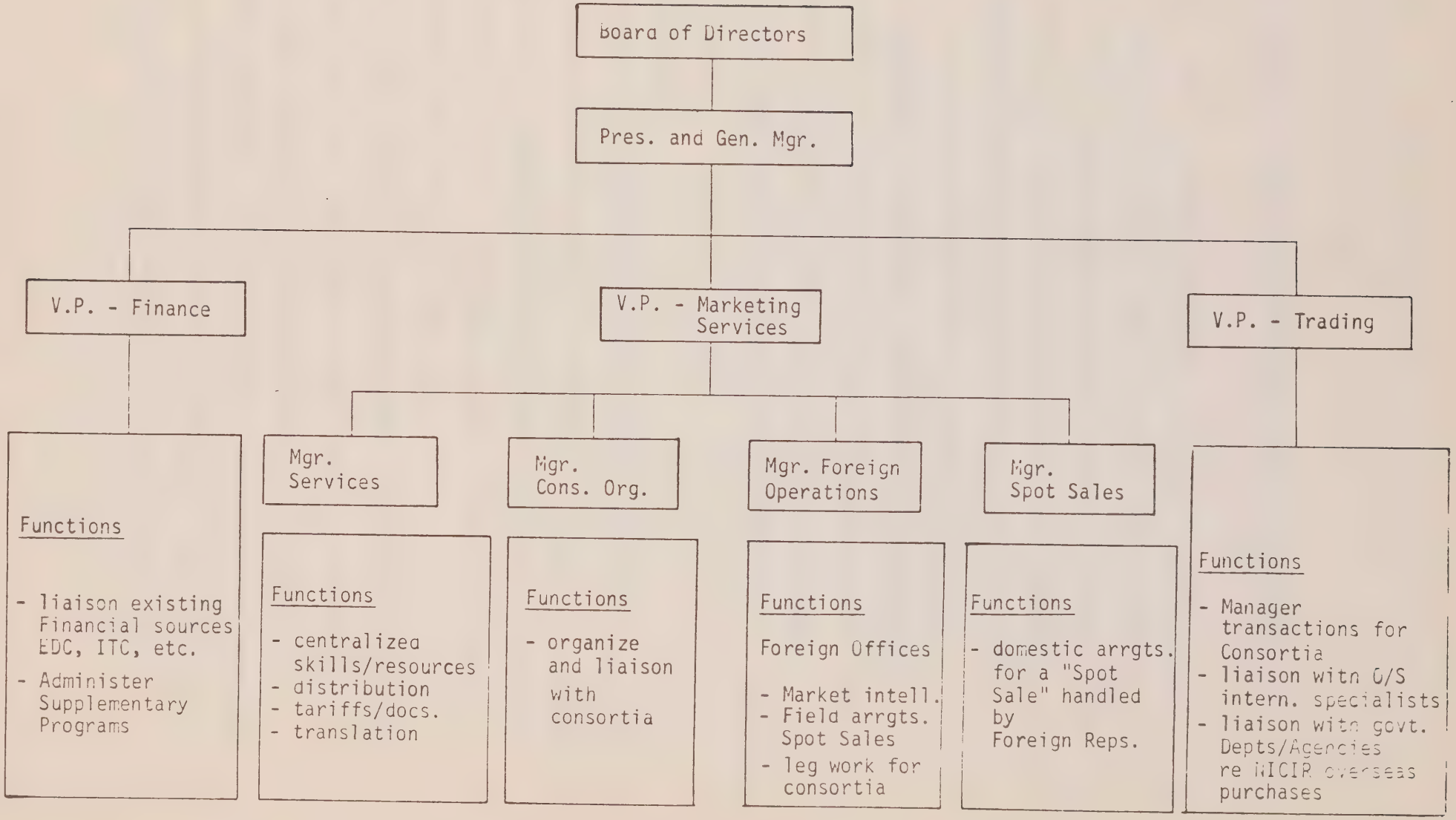
18. The Board of Directors would consist of 12-15 directors, who must be Canadian citizens and a majority of whom must be residents of Ontario. Initial appointments to the Board would be made by the Ontario Government. Thereafter, appointments would be made by the shareholders, except for a minimum of three directors who would continue to be appointed by the Ontario Government.

Financial Structure

19. The authorized capital of the corporation would be $100 million consisting of common and preference shares to be issued at the discretion of

Figure I

Illustrative Trading Corporation
Organization Structure



the Board of Directors. Non-voting as well as voting shares could be issued.

20. Initial financing would be obtained by the sale of 100,000 common shares (voting) each year for five years at $10 per share to the Ontario Government. Shares might be offered for sale to the public sometime after the first three years of operation when appropriate and in amounts as agreed by the Government, together with the Board of Directors. The Ontario Government would maintain a minimum equity interest of one-third of the shares outstanding. In addition, the Government of Ontario would consider lending up to a total of $50 million to the corporation at any time to finance its operations. Such loans would normally be made at 1/2 or 1 per cent above the rate at which the Ontario Government is currently borrowing funds.

Staffing and Budget

21. By the end of its initial year of operation the corporation would be expected to employ about 50 persons. At the end of five years of operations this figure could be expected to increase to about 250 persons. Operating expenses, initially at least, would consist mainly of salaries, support services and facilities, travel and other costs.

22. Revenues to the corporation would arise from fees levied for the various services that it provides, commissions, trading profits, assistance from Ontario and Federal government incentive programmes and returns on its participation in consortia. It is expected that during the first few years of operations revenues would fall short of expenditures. The Team feels the deficit should not be permitted to exceed $1 million per annum for a

maximum of five years. A deficit up to this amount would be covered by the annual share subscription by the Ontario Government during the first five years.

B. Consortia

23. Many consortia already exist in the private sector for export purposes. Some are formed on an ad hoc basis (e.g. for capital projects) and some are based on more permanent arrangements (e.g. Seaboard, for the export of lumber). Such arrangements apparently are more common in Europe, Japan and elsewhere than in Canada. Consortia offer a number of advantages to exporting firms. One of the most important is the opportunity afforded to take advantage of economies of scale of marketing, distribution, after-sales service, warehousing, etc. Moreover, consortia make it feasible for firms to limit competition among themselves to Canada, to combine in meeting foreign competition abroad and to work out more effective pricing policies based on marginal costs. They also afford opportunities for more orderly management and communication among firms in their foreign operations, thereby enhancing their competitive effectiveness abroad. These advantages notwithstanding, it is evident that consortia may also pose problems. Difficulties may arise, for example, in reconciling the interests of competitive producers, in working out suitable arrangements for firms operating at different levels of efficiency or in maintaining high-calibre management.

24. Although trading consortia are unlikely to offer much promise in some industries, the Team believes they are likely to prove very effective in others. Moreover, we believe the trading corporation can play a very

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useful catalytic role in developing a manageable number of consortia for export purposes. As we see them, such consortia would be relatively autonomous. They would actively seek out trading opportunities in their particular lines of activity rather than passively waiting for opportunities to be brought to their attention. Each would centre around a common industry (e.g., auto parts), product line (e.g. snow blowing equipment), or "package" capital project (e.g., hydro power dams). Each would be organized, staffed and financed in a manner designed to meet the special requirements of its members (e.g., it might be incorporated as a separate company or it might be organized on a partnership basis). Each would be owned and directed by its members in relation to their common objectives and requirements. And each would purchase any services it requires from any sources, including the trading corporation's when it is to the consortium's advantage to do so.

25. The trading corporation, in addition to encouraging the formation of such consortia, might be an active member in some (e.g., through equity participation). It might assist in arranging finance, risk-sharing, switch trading, the provision of services - indeed, in all the areas where the corporation has a function. In addition, it would facilitate co-operation between consortia and Government Departments, and would assist in securing support for and participation in these consortia by such agencies as the Ontario Hydro, the Toronto Transportation Commission, research institutions, Universities and others.

26. In essence such consortia would be highly specialized trading corporations in their own right, staffed to provide specialized skills

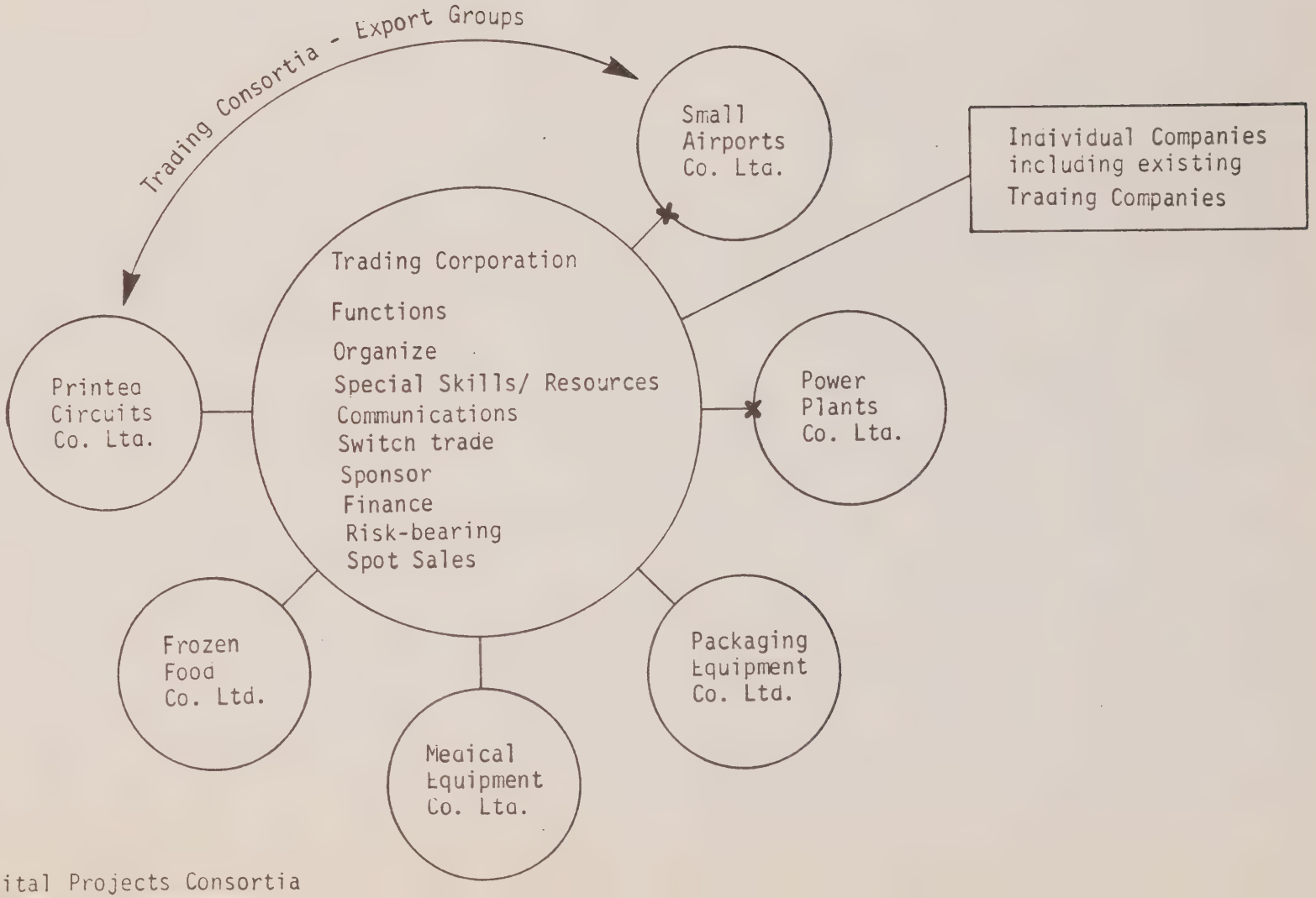
in particular areas and held together and motivated by the prospect of profits for its members through foreign trade. The Team believes that in many industries such consortia are likely to be much more effective in stimulating overseas trade than the alternative arrangement of having a trading corporation with a wide range of interests handling export sales. In other words, specialists in the frozen food industry, in the packaging machinery industry and the engineering industry, functioning under the aegis of separate consortia, are considered much more likely to be successful in selling abroad than a group of non-specialists trying to sell frozen foods one day, packaging machines the next, and airports the day after that.

27. As it gains experience in this area, the trading corporation will develop its own criteria for the promotion of consortia. Initially, in the Team's view, four criteria should be emphasized as the corporation launches its activities. First, it should focus on Ontario based companies rather than on companies scattered widely throughout Canada. Secondly, it should emphasize firms and industries that are competitive internationally. Thirdly, it should concentrate on groups of compatible participants with a strong urge to export. And fourthly, special attention should be given to industries where a consortium approach affords substantial promise of overcoming export obstacles. Although further research is required, our preliminary investigations suggest that the following industries are among those that might be considered on this basis: turnkey "specialized" projects (steel mills, power plants, small airports); medical equipment; packaging machinery; educational equipment; specialty wood components; printed circuits; agricultural equipment; recreational vehicles; and frozen foods.

28. The relationships envisaged between the trading corporation and the consortia it spawns are illustrated diagramatically in Figure II.

Figure II

The Relationship Between the Trading Corporation, Associated Consortia and Individual Companies



✖ Typical Capital Projects Consortia

BACKGROUND PAPER ON TOURISM IN ONTARIO 1972

For The Honourable John White
Minister of Industry & Tourism

From Tourism External Exploration Team

July 26, 1972

Chairman: David Caswell

The Irish Mission Committee recommends the establishment of five (5) Regional Tourism Advisory Boards to be formed by representation from present Tourist Councils, Industry Associations and members from the private sector. The Regional Tourism Advisory Boards will have a Manager and staff. The Regional Boards should be funded accordingly; $50,000 administration grant and an additional $100,000 on a matching dollar basis.

The Committee recommends that the Regional Tourism Advisory Boards be represented on a Provincial Tourism Advisory Board. The Provincial Tourism Advisory Board should be made up by five (5) members, one representing each Regional Tourism Advisory Board, six (6) members from the Industry appointed by the Government, plus one non-voting appointee selected from the Ministry of Industry and Tourism. The Government appointee should have Ex-Officio status as counsellor and as source of information. The Provincial Tourism Advisory Board should have representation from the Joint Board of Ontario Travel Associations (B.O.T.A.) to give the Provincial Tourism Advisory Board the nature of the successful T.I.A.C. The Provincial Tourism Advisory Board should meet at a minimum of three times a year, while one of those gatherings should be reserved as an Annual Meeting. The expenses of the Board will be borne by the Ministry of Industry and Tourism.

The Provincial Tourism Advisory Board should rule on priorities, i.e.

1. Outright grants where need warrants

2. Low interest loans for upgrading and expansion (below prime interest rate)

3. 40% forgivable loans for depressed areas

4. 20% forgivable loans per bedroom for city resort or hotel

5. 50% forgivable loans for convention facilities

6. and all other matters relating to tourist development and promotion.

Application for these funds will be made to the Regional Tourism Advisory Boards. Where applications are approved by Regional Boards they will be forwarded to the Provincial Tourism Advisory Board. When approved by the latter, applications will be presented to the Minister for final approval or disapproval. On Minister's approval, funds will be dispersed from a Ministry fund for this purpose.
Administration of funds approved will be carried out by O. D. C.

Regional promotion and development should be carried out by the Regional Tourism Advisory Boards which will also advise Provincial Board on overall promotional matters.

The Committee recommends the gradual implementation of Ontario Accommodation Grading System. The Ministry's field personnel will recommend grading to the Provincial Tourism Advisory Board. Grading will assess, in terms of consumer value, the physical facilities, food and service. Operators who believe they have been undergraded will appeal to Regional Tourism Advisory Board. We suggest Grading System range from 1 to 5 Trilliums.

Community Colleges should take up task to ensure that Administration and Service courses are intensified and standardized with attention to attraction of hospitality trade as a career. Courses should be administered by one central agency of Government, instead of the present three, Education, Labour and Industry and Tourism.

Regional Advisory Board should encourage festivals and special events and the development of distinctive regional, natural, cultural, historical and man-made attractions, including special events. Regional Tourism Advisory Boards should encourage development of distinctive accommodation concepts suitable to their particular areas. i.e. chalet, log cabin, Trillium Cottages, etc. For Provincial standardization of cottage concept, recommendations should be submitted to the Provincial Tourism Advisory Board.

The Irish Mission Committee recommends that the Ministry should include increased emphasis on travel trade programmes including individual and group package tours. Cooperative with carriers, a stepped up programme for familiarization tours to the Province by travel trade and more outbound Trade Missions with Ministry and private sector representation.

REPORT OF THE BACKGROUND PAPER SUB-COMMITTEE
EXPLORATION TEAM ON TOURISM IN ONTARIO

The sub-committee recognizes that there is great diversity in types of accommodation available to transient guests in the Province of Ontario. Among the categories of accommodation we find hotels, motor hotels, motels, family resorts, resorts for the sportsman (hunting and fishing camps), cottages tourist homes and camping grounds.

Within, or adjacent to, the large metropolitan centre one may find all or most of the above categories of accommodation available. In other areas only two or three categories of establishments may be found. We suggest that this need not be changed since the natural environment of the various parts of the Province dictates the types of facilities which would, for practical reasons, be available.

Within each of the categories mentioned however, we recognize that the facilities may be graded as excellent, very good, good, fair and poor and the latter two grades should be eliminated. There may be a variety of reasons for which accommodation facilities may have deteriorated into the fair and poor grades. Among such reasons may well be lack of traffic and demand for the facility resulting in inadequate profits for the purpose of continuous maintenance and up-grading. It would appear, therefore, that the most logical solution to the problem would be an attempt to generate more tourist traffic through all parts of Ontario, thus providing greater profits as an incentive to up-grading to the individual operator.

We recognize as well that traffic cannot be generated through poor facilities unless some effort is made, first of all, to improve that facility. We suggest that the Government can and should play a key role

in the up-grading process by making available incentives such as long term, low interest loans and, in some instances even forgivable loans.

Despite low traffic volumes and consequently low occupancy rates in some areas, a number of operators, to the knowledge of the individual committee members, have maintained transient accommodation facilities in good order. In some instances, such facilities may not include the modern conveniences which are built into newer urban properties but by the same token the rental cost of such facilities is considerably lower. In the Committee's opinion there is a market within Ontario, other Canadian jurisdictions, and the United States for the low cost facility which provides only the essential needs of the vacationing traveller.

The traveller in Ontario is, in our opinion, at some disadvantage since he cannot avail himself of a single guide which will introduce him to all of the facilities and services which he requires. The three major requirements of every traveller include accommodation, food and recreation or entertainment. The exisiting Ontario Accommodation Guide, although it has been improved considerably over a period of time, is in our opinion inadequate since it contains information only about accommodation. The traveller who uses the existing guide often seeks acccommodation at the minimum rate posted and finds that there is little or no accommodation in that category available, with the result that his travel budget becomes entirely upset and he is discouraged from returning to the given establishment or, in fact, the area. A guide should include information relative to all of the types of accommodation which are available to the traveller as well as accurate prices for such accommodation. A guide should provide complete

information about each of the three requirements of the traveller and we suggest that this is not at all an impossible feat because it is precedented by such publications as "Europe on $5.00 and $10.00 a Day" by Arthur Frommer, a very detailed guide distributed by Simon and Shuster of New York and available in book stores in Canada for the price of $3.95. In his book, Mr. Frommer includes descriptions of various European centres, very complete information regarding accommodation, food and entertainment, capsule vocabularies, menu translations, train schedules, monetary exchange rates, packing information, auto rental information, and tips for shoppers. Additionally, he has published a similar guide to New York called "A Dollarwise Guide to New York" and intends very soon to publish a European guide for family travellers called "Europe on Five Diapers a Day".

The European guide presumes that the traveller has already made a decision as to where he is going to go in Europe. It is a sales piece only in that it tells the traveller how little money it will cost him once he has arrived in a given European city. An Ontario guide might contain similar information but in addition it should provide some considerable information as to the types of entertainment or recreational facilities that are available and such information should be written in a form that will excite the reader and persuade him to visit any number of Ontario centres.

In many parts of Ontario it would appear that transportation facilities are sadly lacking. Road conditions are sometimes hazardous

and repair work is performed at inopportune times. Certain transportation modes which were thought to be rather popular with tourists have been eliminated. As an example, we cite the elimination of the Canadian Steamship Lines and Canadian Pacific Ships running on the Great Lakes and inquiries still being received in respect to such facilities from the United States travellers.

In many instances the facilities of a given area are restricted to a seasonal market and this situation must be changed if in fact accommodation and food service operations are going to be profitable. Attractions such as Pioneer Village and Upper Canada Village and other such facilities should operate on a year-round basis. Special attractions which take place in a great number of communities should be made well known. Where permanent and special local attractions do not exist, they must be created. To this end the total community must become involved and be appraised of the economic significance of tourism.

Since 1967 Canada has become better known as a tourist nation in Europe, the Orient and the south pacific. Some 2,000 skiers from Japan visited Banff, Alberta last year and a hotel in Thunder Bay recently hosted forty Australians on a tour through the United States and Canada. It would appear, therefore, that there is a potential market for more tourists from beyond North America. The Japanese are apparently closing down manufacturing operations for two week periods and employees, together with their families, are being taken on extended vacations to Hawaii and some points in the western United States.

For the purpose of attracting the foreign or distant visitor it would appear that it has become necessary to package tours. This sub-committee strongly recommends the appointment by the Department of Industry and Tourism of a Marketing Director whose primary function initially should be the seeking out or identification of new markets and, subsequently, direction of a sales program into such markets.

If tourism is going to increase substantially in Ontario, then Government must recognize that the tourist service industry will require some incentives. There appears to exist a need for familiarizing all Ministries of the Government with the importance of tourism as well as the unique complexities of the industry. At the present time legislation in the area of labour and taxation are somewhat disadvantageous to the tourist industry and does not serve to enhance our position in a highly competitive market. The high rate of retail sales tax on food and beverage and tourist accommodation, the lack of appreciation for a need to establish a differential in minimum wage for tipped and non-tipped employees and the lack of flexibility in respect of existing liquor legislation are problems that restrict the effectiveness of the tourist industry in this Province and require immediate attention. Finally, we recommend greater usage of tax revenues produced by the hospitality industry for tourist promotion.

Respectfully submitted,

Denis Stefaniuk

July 26, 1972

R E P O R T

TO THE HONOURABLE JOHN WHITE

MINISTER OF INDUSTRY & TOURISM

from the

EXPLORATION TEAM ON SCIENCE, TECHNOLOGY AND INNOVATION

December, 1972

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R E P O R T

from

EXPLORATION TEAM ON SCIENCE, TECHNOLOGY AND INNOVATION

INTRODUCTION

In the spring of 1972 the Minister of Industry and Tourism set up a series of Exploration Teams to generate innovative ideas in support of a plan to restructure his Ministry and its long term goals. One of these was requested to advise the Minister generally on an industrial strategy for Ontario with particular reference to the future role of the Sheridan Park Corporation, research and development, and science policy.

This report contains a record of the deliberations of the Exploration Team on Science, Technology and Innovation, and its recommendations. The membership of the Exploration Team is shown in Appendix "D".

TERMS OF REFERENCE

The Minister encouraged the Exploration Team not to circumscribe its approach to the problems which he wished it to consider and it was decided to adopt the following, rather broad terms of reference:

> To advise the Minister on policy and priorities related to the optimum development and application of science, technology and innovation in the best interests of the people of Ontario over the coming decade. Exploration Team advice to the Minister will consider the competitive position of domestic industry ..... the quality of life ..... regional development, encouragement of innovation and entrepreneurship.

The following list of topics was referred to the Exploration Team by the Minister as indicative of the general areas in which he would like to receive advice:

> - the establishment of small research parks in Northern and Eastern Ontario.
>
> - the role of research laboratories in disseminating information and expertise to the private sector.
>
> - the purchase or option of additional land contiguous to Sheridan Park.

- the establishment of "incubator" laboratories i.e. research facilities available for rent on short-term basis.
- means of increasing cooperation between Ontario Research Foundation (ORF), government, commercial and university laboratories.

MEETINGS

The Exploration Team agreed to meet once a month until November 1972 at which time, it would report its findings. It was also decided to hold a two-day workshop in October in Sundridge, Ontario to provide for uninterrupted study sessions to analyse alternatives and prepare draft recommendations.

SUMMARY OF RECOMMENDATIONS

The Exploration Team makes the following recommendations:

1. The Ontario Government should establish a "Family of Councils for Innovation in Resources Development" - to be comprised of four Councils, whose main purpose is to advise the Government on the optimum development of our human and material resources through innovation.

2.(a) Sheridan Park Corporation should not be disbanded,before there has been sufficient further investigation to determine the desirability of continued operation with revised terms of reference.
(b) The Minister should set up a task force to make a study of Sheridan Park, its purpose and operations, and to make recommendations on its future role. In carrying out the study, the task force should consider the following topics:

- possibility of establishment of incubator labs
- modification of park covenants
- feasibility of establishing additional Research Parks
- acquisition of additional land. Property adjacent to Sheridan Park should be considered.

In view of the importance of Ontario Research Foundation (ORF), it should be represented on the task force.

3. Government should, wherever possible, work within the framework of various governmental structures within the province, in encouraging the establishment of Industrial-Research Parks with initiative coming from local industry and government. It should encourage and assist industries to undertake R & D with a view to stimulating innovation and entrepreneurship.

4.(a) Government should set up Provincial criteria for deciding when R & D and other technological activities should be done in-house or by contract.

(b) The Minister of Industry and Tourism should establish a small group within his Ministry to work closely with the technological research community and help stimulate R & D activities within Ontario. Its functions should include among others:

(1) To develop and maintain an inventory of R & D facilities within the Province.

(2) To develop methods for information dissemination.

(3) To search out on a continuous basis opportunities for innovation entrepreneurship. It is further suggested that officials be specifically assigned to this task and that some travel throughout the province, invite local initiatives - perhaps modeling their role on that of a "social animator".

(4) To develop methods and programs to assist R & D activities in the province. The perspective should be very wide and should include factors like marketing and the need for venture capital.

(5) To establish liaison with all segments of the research community and provide encouragement by

- visiting research operations
- bringing together research experts from Government, industry and educational institutions.
- acting as an information centre for passing on and receiving information
- developing an expertise to assist companies where possible.

It is suggested the Minister might appoint ad hoc task forces if necessary, to assist the group in establishing programs and procedures.

(5) (a) In general, there must be more federal-provincial cooperation in matters of science policy and industrial strategy.

(b) Provincial Government should survey the federal programs to assess their relevance in provincial terms.

(c) There should be a joint committee of federal and provincial science councils which would meet at regular intervals to coordinate federal and provincial programs.

(d) A permanent Canadian Council of Industry Ministers should be established with membership from all provinces and the federal government with terms of reference analogous to those established for the Canadian Council of Resource and Environment Ministers.

6. (a) Private R & D organizations should be given equivalent opportunities for research as other research units.

(b) There should be a review of all Ontario Provincial grants and tax policies that touch on R & D and innovation contracts.

(c) Provincial purchasing power should be studied for its impact on research activities within the Province.

(d) In order that a better supply of applied researchers may be developed, more students should be trained "in-house" in private business organizations in cooperation with university departments; e.g. some graduates could do their doctoral work in industry.

AN APPROACH TO A PROVINCIAL POLICY

The Exploration Team, in attempting to formulate solutions to the problems put to it, thought it essential to devise a broad frame of reference which could serve to orient and direct its recommendations. Only in this way, could our advice to the Minister of Industry and Tourism for industrial strategy and science policy, be properly related to overall provincial policy. Brooks[1] tells us that:

> Science policy is in disarray because society itself is in disarray, partly for the very reason that the power of modern science has enabled society to reach goals that were formerly only vague aspirations, but whose achievement has revealed their shallowness or has created expectations that outrun even the possibilities of modern technology or the economic resources available from growth.

This reminds us of the protracted debate which for the past two decades has surrounded federal science policy - and also, that so far, Ontario has not really been involved. We should ask ourselves whether Ontario can afford to continue abdicating its responsibility for a science policy.

The Exploration Team was determined from the beginning that its recommendations on science policy should deal adequately with our style of life. As Brooks points out:

> We are less than two generations away from the time when the human population must reach a new equilibrium in the distribution of its members and in relation to its environment. This will modify the age composition of populations and call for profound changes in life style, in values and in the structure of institutions. Moreover, as their material wants are satisfied, growing numbers of people will look for other avenues of self-fulfilment - for aesthetic and intellectual expression, for more psychologically rewarding work, for more human interpersonal relationships.

. . . . . .

1. Harvey Brooks, - Science Growth and Society, Paris, OECD Publications, 1971

Thus we are aware that the frame of reference we sought would have to encompass more than science and technology. Our discussions led us to consider a provincial counterpart to the Science Council of Canada and the relationship it might have to the Ontario Economic Council. Again, we are struck by the wisdom of Brooks who points out:

> A major challenge to science policy in the next decade may prove to be to find new goals for technological and social and institutional innovation that relate to the adaptation of work styles to the psychological needs of individuals rather than, as in the past, the adaptation of man to work styles set by technology and demanded by economic efficiency.

We studied the terms of reference of the Ontario Economic Council and concluded that if there is to be a body in Ontario to advise on science policy, it must work closely with its economic counterpart.

In addition, this body should establish a close working relationship with its federal equivalent, the Science Council of Canada and should interact not only with domestic industry but also with Ontario subsidiaries of international industries, taking into account their impact on research activities within the Province.

The Team also concluded that the work of this science advisory body should be complimented by that of comparable bodies working in those areas of concern to other policy groups within the Government. The result would be a number of advisory councils who collectively would seek innovative means to deal with rapidly changing social and technological conditions. Of special importance will be the need to forecast the long-term consequences of alternative courses of action in order to control the process of innovation.

RECOMMENDATIONS

1. A FAMILY OF COUNCILS FOR INNOVATION IN RESOURCES DEVELOPMENT

It is in the above context, that the Exploration Team believes there is a need for a comprehensive advisory mechanism and proposes the establishment of a Family of Councils for Innovation in Resources Development.

(a) Purpose of the Family of Councils

The Family of Councils is to have a common purpose - the central theme of which is the optimum development of human and material resources through innovation. More specifically, the purposes are:

- to enrich the life style of Ontario residents economically, aesthetically and in its capacity for the creative use of leisure

- to cope with change through innovation

- to narrow the gap which exists between government and the general public

- to make available ideas originating outside the normal departmental structure

- to bring a proper perspective and objective criticism to the development of medium and long-term policies for social and technological change

- to assist in the integration of federal-provincial, inter-provincial and international planning in Ontario.

(b) Structure and Operation of Family of Councils

The Exploration Team studied the new organization of the Ontario Government to decide how best a new advisory mechanism would relate to Government. In particular, we noted the establishment of:

- the Policy and Priorities Board of Cabinet chaired by the Premier and including the Chairman of the Management Board, i.e. the Minister of Finance and Intergovernmental Affairs and three policy ministers.

- policy fields for each of Social Development, Resources Development and Justice, and the appointment of three Provincial Secretaries with primary responsibility for policy development within the respective policy fields, and for relations with the public.

- three policy field committees chaired by Provincial Secretaries and including the Ministers responsible for the Ministries within the policy fields.

The new organization of government suggested a logical arrangement and reporting relationship for a mechanism to advise Government on innovation and the development of our human and natural resources. envisage the establishment of a family of four advisory councils:

- The Ontario Council for Economic Innovation reporting through the Minister of Economics and Intergovernmental Affairs to an appropriate Committee in Treasury, Economics and Intergovernmental Affairs.
- The Ontario Council for Innovation in Social Development reporting to the Social Development Policy Field Committee through the Provincial Secretary for Social Development.
- The Ontario Council for Justice reporting to the Justice Policy Field Committee through the Provincial Secretary for Justice.
- The Ontario Council for Innovation, Science and Technology reporting to the Resources Development Policy Field Committee through the Provincial Secretary for Resources Development.

The relationship of the Family of Councils to Government and to each other is shown in Figure 1.

Councils should advise Government either directly or through the appropriate policy field committees.

Councils should be available for giving such advice as the Cabinet may request.

Each Council should publish an annual report and additional written reports may be published at the discretion of the Councils.

Councils should meet from time to time with federal and provincial counterparts.

Councils should interact with industry.

Councils should have the support of a small secretariat and financial resources to conduct research through ad hoc forces including Government and the private sector.

Members of Councils should sit for three year terms and may be reappointed.

Members would be remunerated in accordance with Government policy.

The Councils' budgets would be the responsibility of the Policies and Priorities Board of Cabinet.

The role of each Council would be differentiated to the degree necessary for its advice to be relevant generally to the Ministries within their respective policy fields. Notwithstanding, it is considered of fundamental importance that the work of the Councils should be effectively integrated. For this reason, we suggest the following:

FAMILY OF COUNCILS FOR INNOVATION IN RESOURCES DEVELOPMENT

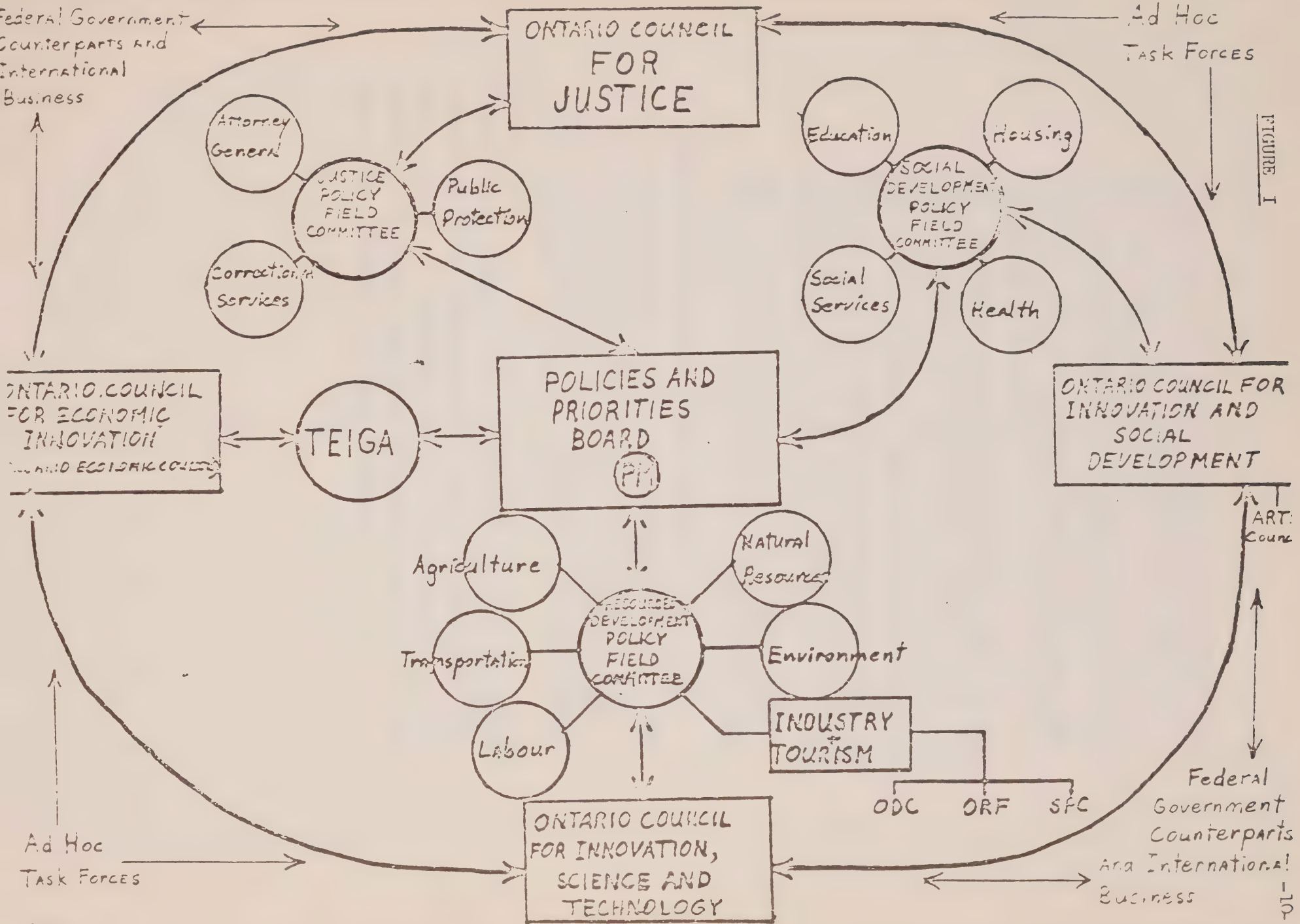


FIGURE I

RMB

- Membership of each Council should include individuals who are concerned with economic and social development, the quality of life, the environment and the creative use of leisure and aesthetics.
- The total membership should be weighted in favour of the Councils' respective policy fields.
- Membership should reflect the regional, demographic and power structures of the province, and if desired, may include public servants.
- The Chairmen should be full time appointees and sit ex officio as members of all Councils. Chairmen should meet frequently to ensure effective coordination.
- There should be joint meetings held as necessary, and the Councils should when desirable create joint task forces.
- Chairmen acting on behalf of their respective ouncils either individually or as a group, should have the right to advise the Premier and through him the Policy and Priorities Board of Cabinet.
- Each of the Councils will have its own Secretariat and the four Secretaries should be housed in one location, to allow for the sharing of certain facilities and staff.

The Exploration Team therefore recommends that:

THE ONTARIO GOVERNMENT SHOULD ESTABLISH A "FAMILY OF COUNCILS FOR INNOVATION IN RESOURCES DEVELOPMENT" - TO BE COMPRISED OF FOUR COUNCILS WHOSE MAIN PURPOSE IS TO ADVISE THE GOVERNMENT ON THE OPTIMUM DEVELOPMENT OF OUR HUMAN AND MATERIAL RESOURCES THROUGH INNOVATION.

By way of illustration, we have enclosed in Appendix A, a suggested wording covering an Order-in-Council for the establishment of the Ontario Council for Innovation, Science and Technology. In addition, in Appendix B, we have drawn up possible objectives for the Ontario Council for Innovation in Social Development.

2. SHERIDAN PARK CORPORATION AND SHERIDAN PARK

Sheridan Park Corporation was established to set up a Research Park. This was done. Ontario Development Corporation (ODC) acquired assets of Sheridan Park Corporation and now has about 50 acres left to sell. There is no logic for ODC to be involved in Sheridan Park; but since it now has the land, it should be left to sell it.

It is recommended that:

(a) SHERIDAN PARK CORPORATION SHOULD NOT BE DISBANDED, BEFORE THERE HAS BEEN SUFFICIENT FURTHER INVESTIGATION TO DETERMINE THE DESIRABILITY OF CONTINUED OPERATION WITH REVISED TERMS OF REFERENCE.

(b) THE MINISTER SHOULD SET UP A TASK FORCE TO MAKE A STUDY OF SHERIDAN PARK, ITS PURPOSE AND OPERATIONS, AND TO MAKE RECOMMENDATIONS ON ITS FUTURE ROLE. IN CARRYING OUT THE STUDY, THE TASK FORCE SHOULD CONSIDER THE FOLLOWING TOPICS:

- POSSIBILITY OF ESTABLISHMENT OF INCUBATOR LABS
- MODIFICATION OF PARK COVENANTS
- FEASIBILITY OF ESTABLISHING ADDITIONAL INDUSTRIAL-RESEARCH PARKS
- ACQUISITION OF ADDITIONAL LAND. PROPERTY ADJACENT TO SHERIDAN PARK SHOULD BE CONSIDERED.

IN VIEW OF THE IMPORTANCE OF ONTARIO RESEARCH FOUNDATION (ORF), IT SHOULD BE REPRESENTED ON THE TASK FORCE.

3. SHERIDAN PARK CORPORATION OR ONTARIO RESEARCH FOUNDATION, SUBSIDIARY RESEARCH PARKS IN NORTHERN AND EASTERN ONTARIO

In view of shifts in research activities to goal-oriented policies, "horizontal" research parks like Sheridan may no longer be as effective as other forms of industrial research complexes. Research activities should probably be linked more closely to manufacturing, corporate management and to the pull of market place. Accordingly, we are reluctant to support the development of research parks in areas in which a satisfactory industrial base does not already exist. There is therefore a need for a new approach toward industrial parks with R & D components.

We thus recommend that:

GOVERNMENT SHOULD WHEREVER POSSIBLE, WORK WITHIN THE FRAMEWORK OF VARIOUS GOVERNMENTAL STRUCTURES WITHIN THE PROVINCE IN ENCOURAGING THE ESTABLISHMENT OF INDUSTRIAL RESEARCH PARKS WITH INITIATIVE COMING FROM LOCAL INDUSTRY AND GOVERNMENT. IT SHOULD ENCOURAGE AND ASSIST INDUSTRIES TO UNDERTAKE R & D WITH A VIEW TO STIMULATING INNOVATION AND ENTREPRENEURSHIP.

4. COOPERATIVE RELATIONSHIPS BETWEEN ORF, UNIVERSITY, COMMERCIAL AND GOVERNMENT LABORATORIES.

The groups which comprise the technological research community of the province do not cooperate or interact with each other to the extent they should. Many reasons or examples can be cited: i.e. not enough equipment sharing (ORF may charge R & D company a prohibitive price to use a special piece of equipment); not enough exchange of personnel between groups; contract bids may be restricted to one group such as universities; ORF and universities have financial advantages, (i.e. on taxes and overheads) over R & D independents in bidding for research contracts; government often does too much in-house R & D work and technical service testing; insufficient interchange of methodology, e.g. government may develop a new technique, then not pass this information to private industry; universities are unable to exploit their research at commercial end; general lack of communication between various research groups about matters such as available techniques, equipment, bidding opportunities, etc.

It is recommended that:

(a) GOVERNMENT SHOULD SET UP PROVINCIAL CRITERIA FOR DECIDING WHEN R & D AND OTHER TECHNOLOGICAL ACTIVITIES SHOULD BE DONE DONE IN-HOUSE OR BY CONTRACT.

(b) THE MINISTER OF INDUSTRY AND TOURISM SHOULD ESTABLISH A SMALL GROUP WITHIN HIS MINISTRY TO WORK CLOSELY WITH THE TECHNOLOGICAL RESEARCH COMMUNITY AND HELP STIMULATE R & D ACTIVITIES WITHIN ONTARIO. ITS FUNCTIONS SHOULD INCLUDE AMONG OTHERS:

(1) TO DEVELOP AND MAINTAIN AN INVENTORY OF R & D FACILITIES WITHIN THE PROVINCE.

(2) TO DEVELOP METHODS FOR INFORMATION DISSEMINATION.

(3) TO SEARCH OUT ON A CONTINUOUS BASIS OPPORTUNITIES FOR INNOVATION ENTREPRENEURSHIP. IT IS FURTHER SUGGESTED THAT OFFICIALS BE SPECIFICALLY ASSIGNED TO THIS TASK AND THAT SOME TRAVEL THROUGHOUT THE PROVINCE, INVITE LOCAL INITIATIVES - PERHAPS MODELING THEIR ROLE ON THAT OF A "SOCIAL ANIMATOR".

(4) TO DEVELOP METHODS AND PROGRAMS TO ASSIST R & D ACTIVITIES IN THE PROVINCE. THE PERSPECTIVE SHOULD BE VERY WIDE AND SHOULD INCLUDE FACTORS LIKE MARKETING AND THE NEED FOR VENTURE CAPITAL.

(5) TO ESTABLISH LIAISON WITH ALL SEGMENTS OF THE RESEARCH COMMUNITY AND PROVIDE ENCOURAGEMENT BY

- VISITING RESEARCH OPERATIONS
- BRINGING TOGETHER RESEARCH EXPERTS FROM GOVERNMENT, INDUSTRY AND EDUCATIONAL INSTITUTIONS
- ACTING AS AN INFORMATION CENTRE FOR PASSING ON AND RECEIVING INFORMATION
- DEVELOPING AN EXPERTISE TO ASSIST COMPANIES WHERE POSSIBLE.

IT IS SUGGESTED THAT THE MINISTER MIGHT APPOINT AD HOC TASK FORCES IF NECESSARY, TO ASSIST THE GROUP IN ESTABLISHING PROGRAMS AND PROCEDURES.

5. FEDERAL-PROVINCIAL RELATIONS

In the area of federal-provincial relations, the Exploration Team recommends that:

(a) IN GENERAL, THERE MUST BE MORE FEDERAL-PROVINCIAL COOPERATION IN MATTERS OF SCIENCE POLICY AND INDUSTRIAL STRATEGY.

(b) PROVINCIAL GOVERNMENT SHOULD SURVEY THE FEDERAL PROGRAMS TO ASSESS THEIR RELEVANCE IN PROVINCIAL TERMS.

(c) THERE SHOULD BE A JOINT COMMITTEE OF FEDERAL AND PROVINCIAL SCIENCE COUNCILS WHICH WOULD MEET AT REGULAR INTERVALS TO COORDINATE FEDERAL AND PROVINCIAL PROGRAMS.

(d) A PERMANENT CANADIAN COUNCIL OF INDUSTRY MINISTERS SHOULD BE ESTABLISHED WITH MEMBERSHIP FROM ALL PROVINCES AND THE FEDERAL GOVERNMENT WITH TERMS OF REFERENCE ANALOGOUS TO THOSE ESTABLISHED FOR THE CANADIAN COUNCIL OF RESOURCE AND ENVIRONMENT MINISTERS.

6. SOME POLICIES FOR RESEARCH GRANTS AND CONTRACTS

The Exploration Team believes the following topics should be considered for possible policies and programs by the Ontario Government.

Governments often inadvertently create disincentives to new R & D and innovations and ways should be sought to remove as many of these obstacles as possible. For example, in undertaking a research contract,

private research companies have to recover overheads, pay import duties or sales taxes, which is often not the case for government labs or other non-profit institutions. See Dr. Dorland's paper (Appendix C) which expresses an industrial point-of-view. Therefore it is recommended that:

(a)PRIVATE R & D ORGANIZATIONS SHOULD BE GIVEN EQUIVALENT OPPORTUNITIES FOR RESEARCH AS OTHER RESEARCH UNITS.
(b)THERE SHOULD BE A REVIEW OF ALL ONTARIO PROVINCIAL GRANTS AND TAX POLICIES THAT TOUCH ON R & D AND INNOVATION CONTRACTS.
(c)PROVINCIAL PURCHASING POWER SHOULD BE STUDIED FOR ITS IMPACT ON RESEARCH ACTIVITIES WITHIN THE PROVINCE.
It is also recommended that:
(d)IN ORDER THAT A BETTER SUPPLY OF APPLIED RESEARCHERS MAY BE DEVELOPED, MORE STUDENTS SHOULD BE TRAINED "IN-HOUSE" IN PRIVATE BUSINESS ORGANIZATIONS IN COOPERATION WITH UNIVERSITY DEPARTMENTS; e.g. SOME GRADUATES COULD DO THEIR DOCTORAL WORK IN INDUSTRY.

APPENDIX A

Wording for Order in Council concerning

" THE ONTARIO COUNCIL FOR INNOVATION, SCIENCE AND TECHNOLOGY"

I. WHEREAS the development of science and technology profoundly affects the affairs of the people of the Province of Ontario, their economic advancement, social well-being and cultural development

and

WHEREAS the policies, programs and procedures of the Government of the Province of Ontario have both direct and indirect effects on the utilization of science, technology and the innovative process to the needs and desires of the Province

and

WHEREAS effective policies on science, technology and innovation require the close cooperation of the Ministries and agencies of the Government of the Province of Ontario with other public and private organizations, including commercial, industrial and educational institutions.

now

II. THEREFORE The Lieutenant-Governor-in Council, on the recommendation of the Premier of the Province, is pleased to direct that a proclamation be issued establishing "THE ONTARIO COUNCIL FOR INNOVATION, SCIENCE AND TECHNOLOGY" for the purpose of advising the RESOURCES DEVELOPMENT POLICY FIELD COMMITTEE and through it the Government of Ontario, in developing policies relative to the optimum development and utilization of innovation, science and technology in the best interests of the people of the Province. In so doing the "COUNCIL" will give due regard to the interests of the various Ministries in the Resources Development Policy Field, to the competitive position of domestic industry, to the quality of life, to regional development and to the encouragement of entrepreneurship.

III. The Lieutenant Governor-in-Council is further pleased to specify that the "COUNCIL" shall advise the COMMITTEE on:

1. The contribution of innovation, science and technology to strategies for environment and resources development in the Province

2. the integration of innovation, science and technology with other policies and programs of the Government of the Province, its Ministries and agencies.

3. methods of fostering cooperation in respect of science, technology and innovation, with agencies of the Government of Canada, of other Provinces, of Municipalities and of private organizations.

4. desirable policies for the application and exploitation of new discoveries and new knowledge.

5. desirable policies for research and development and grants, agreements and contracts with public and private organizations, and in universities.

6. the organization of the scientific and technological establishments of the MINISTRIES.

7. the allocation of financial, personnel and other resources in respect of innovation, science and technology within the MINISTRIES.

8. criteria and priorities for the awarding of research grants, agreements and contracts.

9. desirable policies for the training and employment, in respect of science, technology and innovation, of qualified manpower within the Province.

10. desirable policies for the encouragement, enhancement, and application of local and regional human and other assets and initiatives relative to science, technology and innovation.

11. desirable policies for taxation, subsidization and other forms of incentive to industries engaged in science, technology and innovation within the Province.

12. the exploitation of provincially assisted research through the development of appropriate patent policies.

13. specific matters as they arise which the COMMITTEE may from time to time request.

IV. The Lieutenant Governor-in-Council is further pleased to specify that the "COUNCIL" shall, subject to the approval of the Committee:

1. establish by-laws for the regulation of its proceedings.

2. establish special, standing or other committees of the "COUNCIL" for the performance of its functions.

3. employ throughout the province such specialists, consultants or advisors and establish such task force as are deemed necessary.

4. appoint such officers and employees as are necessary for the proper conduct of its work and prescribe their duties and the conditions of their employment.

5. employ techniques of assessment to determine the effectiveness of policies and programs and the adequacy of resources for science, technology and innovation.

6. employ techniques of forecasting in order to make plans, establish priorities and anticipate their consequences.

7. publish any studies and reports of the "COUNCIL" as required.

8. enter into contracts on behalf of the GOVERNMENT.

9. acquire property on behalf of the GOVERNMENT.

V. The Lieutenant Governor-in-Council is further pleased to specify that:

1. the "COUNCIL" shall consist of not more than twenty one members appointed by the Lieutenant Governor-in-Council.

2. each of the members shall be appointed to hold office for a term of not more than three years, (except that of those first appointed not less than one third shall be for two years and one third for four years.)

3. the Lieutenant Governor-in-Council shall appoint one of the members to be Chairman and one to be Vice-Chairman for such term as is fixed by the Lieutenant Governor-in-Council.

4. the Chairman and Vice-Chairman shall be paid such remuneration and expenses as are authorized by the Lieutenant Governor-in-Council.

5. the current policies of the Provincial Government with regard to remuneration shall apply to other members.

6. notwithstanding 5., a member may be paid such remuneration as may be authorized by the MANAGEMENT BOARD for services in addition to his ordinary duties as a member.

7. any member shall be eligible for reappointment.

8. a majority of the members shall constitute a quorum of the "COUNCIL".
9. the "COUNCIL" shall meet at such times and places it deems necessary but not less than once annually.
10. the Chairman of the "COUNCIL" shall make an annual report to the COMMITTEE.

GUIDELINES

- definitions for science and technology must include social science.
- the "Council" should be advising the "Committee" and should not assume operating functions.
- chairman to be full time but not permanent.
- reappointments generally made for only one term.
- other three chairmen to be members of "Council".
- proper balance in membership to include:
    - expertise representative of other three fields
    - non-specialists
    - individuals concerned with "culture" and the creative use of leisure
    - cross-sectional representation (regional, sex, age socio-economic, organized labour).
- deputy ministers invited as observers.
- "Council" to meet with federal and provincial counterparts.
- four Chairmen to meet regularly.
- secretariat staffed through Ministry of Government Services.

Appendix B

Objectives for

ONTARIO COUNCIL FOR INNOVATION AND SOCIAL DEVELOPMENT

To determine needs and help set objectives, to relate these to the adequacy of present services, to do or sponsor research on means of bridging the gap between needs and these services - in a context bearing in mind the need to provide the widest access to desirable standards of education, adequate housing, social and health services, and the demand of the creative arts.

To exploit the improvements which scientific, technical and economic change make possible for the environment of the individual's life at work, at school and at leisure. To do so in ways which involve the maximum feasible participation by the people of Ontario on decisions which actually affect their lives, and the widest choice to ensure creative and challenging opportunities for these activities.

To evaluate the probable effects of technical and economic changes on the social, ecological, cultural and political lives of the people of Ontario, and in terms of the effects on the working conditions of individuals and their community lives, to monitor such technical and economic changes so as to ensure that their introduction is more compatible with improvement in these respects.

APPENDIX C

MUSINGS OF A FRUSTRATED INDUSTRIAL RESEARCH MANAGER ON ONE OF THOSE "BAD" MORNINGS

I have heard much about incentives for R&D (and the possible proliferation of bureaucratic schemes to inject life into a seriously ill industrial R&D sector) but why, oh why, is there not more understanding of today's problems as exemplified in the two words -- dis-incentives and discrimination as applied to industrial R&D; dis-incentives that hang around my neck like a millstone and discrimination that makes my task of optimizing research activity very difficult.

I am not suggesting that these impedances are deliberately conceived to hamper R&D but exist they do, and perhaps they stem in large measure from government and business both using the accountant-oriented approach that money spent on R&D is an ordinary business expense rather than an investment made now to generate a future profit.

Let me give you some examples:

In our R&D operation, now down to 40 people from over 80 two years ago, we still are required to pay to the municipal, provincial and federal level of government over $100,000 a year in taxes - realty, business,

provincial sales tax, federal sales tax, customs and excise, etc. And thus it has cost us over 10% of our allotted funds just to exist before we perform a lick of R&D.

I am amused at the embarrassment of salesmen for scientific hardware who have to explain "Oh no, that is the price for a hospital or university but you in industry will have to pay customs and excise, provincial and federal sales tax so it will cost you 20-30% more.

I am annoyed at the distraction of auditors from the provincial sales tax department, from the federal sales tax department, from The Department of Industry, Trade & Commerce and from Internal Revenue who in aggregate spend over two weeks a year pawing through our files. I am annoyed at the people we have to keep to keep the files that they demand.

I am amazed at a federal sales tax man saying, "If you bought this instrument for routine testing of your production it would be sales tax exempt, but if it is for research then you must pay."

Dis-incentives and discrimination -- these are only some. Let me give you another example and one that may be rather peculiar to our company. We have always been rather proud of the fact that our Canadian based and Canadian-owned company had an American subsidiary -- in fact, nearly 30% of our capital assets are in the U.S.A. -- and I have been rather proud that we in Canada did all the Research for our U.S. subsidiary.

But the government says you can't consider the research you do for your subsidiary as an expense in Canada -- you must charge them for it. All well and good, I could live with that but then they go on to say "You must also charge them for half of the general research you do in Canada because it just might be useful to them some day."

This dis-incentive is so serious that I am sure one of these days our subsidiary is going to say "thank you very much but we shall henceforth be doing our own research -- we can do it so much cheaper down here." And we shall be faced with laying off another group of people or trying to persuade them to move to the States.

Some of our work consists of sophisticated testing of new products or potential new products from mill trials -- this necessitates an almost endless stream of samples from Florida, California, Michigan, Illinois and North Carolina to our research centre - each shipment is promptly pounced upon at the border by a customs man who insists they have a commercial value even though they will be consumed in testing. I resent this. I resent the delays of urgent samples. I resent having to pay brokers over $3000 a year to clear these shipments. I resent having to pay sales tax even on the brokerage and having to pay provincial sales tax on the federal sales tax assessment. I resent having to have one man spending so much of his time talking to brokers, appraisers, etc. Above all I resent this major impediment to conducting efficient research at a price we can afford.

In short, I am frustrated at every turn. I cannot work quickly or efficiently. I cannot give the technical service as promptly as I would like to nor as quickly as my "clients" expect. I am burdened with costs that seem to negate the very reasons for doing R&D. Sure many of them are individually very minor, few of them stem from deliberate policy against R&D but collectively they have a major impact. It all indicates that government, business and the public at large, have little understanding of the aims, objectives and conduct of R&D. I suggest that Industrial R&D has come of age, has left the dark corner of a factory basement and needs, indeed deserves, an identity of its own. No longer should it be lumped in with Manufacturing for one purpose, with Business for another, etc., etc. ..... Let us get at the root of the problem before we consider adding to an already seriously burdened infrastructure.

Rodger M. Dorland
November 12, 1971

EXECUTIVE SUMMARY

RECOMMENDATIONS OF THE EXPLORATION TEAM ON DESIGN IMPLEMENTATION

January 1973

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INTRODUCTION

During the five months in which the Exploration Team on Design Implementation reviewed the future of design in Ontario, a wide range of important related subjects were discussed. This executive summary documents the highlights of the Committee's recommendations. The main report explores each of the subjects in greater depth. Note: Page numbers of the main report have been included in this summary for reference purposes.

We believe our recommendations are for specific steps and ideas which, if acted upon by the Government of Ontario, will lead to a dramatic increase in the contribution of design to Ontario life.

For purposes of this report, GOOD DESIGN is not defined in aesthetic terms. Rather it is seen as design that is efficient, innovative, timely and apt, marketable and meaningful to the economic, social, and environmental goals of the Province of Ontario.

F. Dudas (Chairman)

C. Lehman (Vice-Chairman)

(Mrs.) J. Jacobs

(Mrs.) P. Whiteside

E. Zeidler

C. Shepherd

G. Purchase

J. Wright

D. Holland

D. Spence

P. Sharpe

SUMMARY OF RECOMMENDATIONS

1. GOVERNMENT POLICY

(a) Objective

The Government of Ontario should make an immediate and major commitment to the encouragement of good design in Ontario for the purpose of increasing our exports of finished goods, increasing sales of Ontario-produced finished goods in our domestic market, creating meaningful employment, diversifying our economic base, and improving the standards and quality of life for the people in our province.

(b) Strategy

This objective will be accomplished by:

- the active implementation of programs and services to substantially encourage the use of good design by Ontario manufacturing and service industries.
- assistance for the development of Canadian-owned companies, particularly new and small ventures.
- substantial increase by the Government of Ontario in the use of good design in its purchasing policy and through its leadership to create a demand for good design.
- the development of a general awareness and appreciation for good design in Ontario and the promotion of good design in the environment.

2. ORGANIZATION

(a) Ontario Council of Design

Recommended that the Government establish an Ontario Council of Design early in 1973 to generate and advise on good design policies and to act as a permanent advisory group to the Minister of Industry and Tourism.

The Council would act as the Board of Directors for the Ontario Design Development Corporation and other agencies as required in the future to develop good design. (page 9)

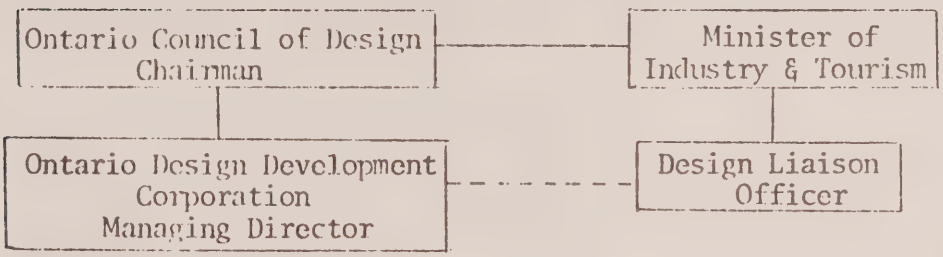
(b) Ontario Design Development Corporation

Recommended that an Ontario Design Development Corporation be established early in 1973 to be responsible for carrying out design policies and programs under the auspices of the Design Council and the Minister of Industry and Tourism. The responsibility of the Corporation would include the implementation of all design promotion programs, maintaining a design resource centre, and carrying out specific projects and studies as required by the Council and/or the Minister. (page 32)

(c) Design Liaison Officer

Recommended the Government appoint a Design Liaison Officer to work with various Ministries of the Provincial Government, the Ontario Council of Design and the Design Development Corporation. This Officer would work directly under the Minister of Industry and Tourism.

Proposed Organization



3. 1973 PROGRAM

The following summarizes the key activities that should be initiated in the next twelve months. Virtually all of these would be implemented by the Design Development Corporation under the guidance of the Council and Minister.

(a) Design Promotion

To create plans for an extensive promotional campaign for good design in Ontario and to initiate the following programs:

(i) Liaison with other organizations, private and public.

(ii) Good design certification and labelling program.

(iii) Promote good design through appropriate communications media.

(b) Design Development Training Program For Industry

Recommended that an extensive two-year regional program be initiated under the auspices of the Design Development Corporation to expose and exploit the working use of the design process among product manufacturers in Ontario; particularly Canadian-owned companies, small and new businesses.

Three or four consultants will be assigned an area of the province and via courses, workshops, and actually working with manufacturers over a six - twelve month period will be responsible for development of design in that area. (page 17)

(c) Capital

Recommended that the Government initiate a feasibility study into the establishment of Ontario resources capable of providing private venture and expansion capital to new and growth minded Canadian-owned companies. Such backing will be necessary for those companies to exploit the benefits of good design. (page 16)

(d) Design Development Incentive Programs

Recommended that an immediate evaluation of all federal and provincial design incentive and promotional programs be undertaken to assess their real value and to find areas of inefficiency or inadequacy. (page 27)

(e) Good Design Education

Recommended that the Ministry of Industry and Tourism, in conjunction with the Ministry of Education, establish educational programs in the following areas:

- general education
- professional training
- adult education
- management training (page 26)

(f) Design Promotion Research

Recommended that an exploration be undertaken to examine the impact and effectiveness of good design development and promotion agencies in such countries as Great Britain, Scandanavian countries, Czechoslovakia and Japan.

(g) Design Missions

Recommended that one or two technology missions for design be undertaken in 1973. These missions would include people from the design profession and management.

(h) Design Practice

Recommended that the Government of Ontario establish policies to encourage the use of Ontario expertise and to discourage the use of foreign designers in Ontario. U.S. designers are free to work openly in Canada whereas Canadians are tightly restricted via government work permits.

4. LONGER TERM PLANS

(a) Design in the Environment

A major opportunity exists for Ontario to take world leadership in the use of design to improve our environment. There are two specific areas we recommend; one area is pollution, waste recycling (page 25) and the other is infill housing (page 37).

(b) Design Research and Development Facilities

A major long term need exists to provide research/resource facilities in a number of areas including a design research centre available to all Ontario enterprises (similar to O. R. F. but in the design area), a marketing resource group (to provide help and even test marketing facilities), a skill development facility primarily for craft based enterprises and a small quantity production research group to improve Ontario skills in limited production techniques. (page 34)

(c) Capital Versus Operating Costs

The Government should study techniques for relating the operating and capital costs within both the private and public sectors in order to establish more efficient and rational principles. This is of vital importance for the future development of Ontario products and services, and will also affect environmental design. (page 36)

(d) U. S. Subsidiaries

The Government of Ontario must take all means to encourage U. S. parent companies to design and develop new products for international markets in their Ontario subsidiaries. On the short term the most immediate development in product design can take place in this area. (page 23)

TIMETABLE - 1973 ACTION

#	SUBJECT	SPECIFIC STEPS	RESPONSIBILITY	KEY DATES
1.	Design Council	-appointment of Council + govt member	Exploration Team/ Govt	by Feb 15/73
		-1st Council meeting		by Feb 28/73
2.	Design Corporation	-appointment of Managing Dir	Counc/Minister	by Mar 15/73
		-staffing & offices	Council/Mg Dir	May 1/73
3.	Design Promotion	-liaison with other groups	Mg Dir Corp	on-going
		-certification program detailed recommendation	Council	by Dec 1/73
		-advertising proposal	Council/Corp	by Dec 1/73
		-exhibition - detailed recommendation on pollution prevention & waste recycling	Mg Dir Corp	by Dec 1/73
4.	2 Year Regional Programs	-planning & organization	Corp/Govt	Mar-July/73
		-pilot project		May 15/73
		-1st year regional program starts	Mg Dir Corp	Sept/73
5.	Capital Study	-work with Govt to establish frame of reference	Council	by Apr 15/73
6.	Incentives Study	-define project	Council	Mar 15/73
		-appoint Exploration Team	Council	Apr 1/73
		-report on specific recommendations	Council	Nov 30/73
7.	Govt Design Practice	-complete review of Govt design practices to develop Design Policy	Council	by Nov 30/73
8.	Design Education	-work with Govt on initial agreements	Council/Govt	by July 1/73
9.	Foreign Design Agencies	-Mg Dir Corp + Council members travel to foreign countries		April-May/73
10.	Foreign Design Technology Mission		Council	Oct/73

Note: The above is a tentative timetable. The Design Council must establish specific projects and timetables. Additionally, the Council and the Managing Director of the Corporation must provide semi-annual evaluations on the progress of all key projects.

A) Complement

		$	$	$
COUNCIL (55,600)	Chairman (60 days)	9,000		
	(travel)	2,000		
			11,000	
	11 members (20 days)	17,600		
	(travel)	11,000		
			28,600	
	Secretarial Assistance (365 days) (8,000 x 2 O.H.)	16,000	16,000	
				55,600
CORPORATION ($247,000)	Managing Director (365 days) (30,000 x 2 O.H.)	60,000		
	(travel)	4,000		
			64,000	
	Executive Assistant (365 days) (18,000 x 2.5 O.H.)	45,000		
	(travel)	2,000		
			47,000	
	Industrial Development Officer (Management Programs) (365 days) (18,000 x 2 O.H.)	36,000		
	(travel)	2,000		
			38,000	
	Industrial Development Officer (Marketing) (365 days) (15,000 x 2 O.H.)	30,000		
	(travel)	2,000		
			32,000	
	Industrial Development Officer (Information) (365 days) (12,000 x 2 O.H.)	24,000		
	(travel)	2,000		
			26,000	
	Senior Secretary (365 days) (8,000 x 2 O.H.)	16,000	16,000	
	2 Clerk Typists (365 days)	24,000	24,000	
				247,000
DESIGN LIAISON OFFICER ($47,000)	Design Liaison Officer (365 days) (18,000 x 2.5 O.H.)	45,000		
	(travel)	2,000		
			47,000	
				47,000
				349,600

B) Programs (Ontario Design Development Corporation)

	$
DESIGN PROMOTION	
-publicity, awards and certification program	30,000
CONSULTING SERVICES	
-related to design promotion	25,000
PRODUCT DEVELOPMENT MANAGEMENT PROGRAM	
-3 consultants/session - 10 days for each of 3 sessions @ $250 day	22,500
-expenses @ $55 per diem	4,900
-promotional expenses	10,000
FURTHER EXPLORATION AND FACT FINDING	
a) immediate direct research: study and analysis of Design promotion methods (foreign)	25,000
b) immediate related research: (co-ordinated with other appropriate agencies)	
i) Capital Study: (corporations portion)	25,000
ii) Design Incentive Study (exploration team government and private)	20,000
DESIGN INFORMATION AND EDUCATION	
-foreign design technology missions	25,000
-extension courses for designers on business management	4,000
-co-operative programs with other ministries	15,000
-promotion costs	10,000
	216,400

TOTAL BUDGET 1973	COMPLEMENT	$349,600
	PROGRAMS	$216,400
		$566,000

REPORT AND RECOMMENDATIONS OF THE EXPLORATION TEAM ON DESIGN IMPLEMENTATION

January 1973

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REPORT TO THE MINISTER OF INDUSTRY & TOURISM

BY THE EXPLORATION TEAM ON DESIGN IMPLEMENTATION

DEFINITION

For the purposes of this report, GOOD DESIGN is not defined in aesthetic terms. Rather it is seen as design that is efficient, innovative, timely, and apt, marketable and meaningful to the economic, social and environmental goals of the Province of Ontario.

INTRODUCTION

It is urgent that the Government of Ontario makes a major commitment to the substantial encouragement of GOOD DESIGN for the purposes of increasing the exports of finished goods, increasing the sales of Ontario-produced finished goods in our domestic market, creating meaningful employment, diversifying the economic base and improving the standards and quality of life for the people of this province.

These goals can be accomplished by:

- The active and substantial encouragement for the use of GOOD DESIGN by Ontario manufacturing and service industries, with a special emphasis on Canadian owned companies, particularly new and small ventures.

- Developing the awareness of people for GOOD DESIGN and encouraging the development of the creative abilities of Ontario's human resources.

- Adopting policies and instituting action by the Government in its own works to use, and encourage the use of, GOOD DESIGN and to refrain from actions and policies which tend to discourage its use.

SUMMARY OF RECOMMENDATIONS

1.0 ON THE BASIC CLIMATE FOR GOOD DESIGN

The ultimate success of programs and policies to encourage the development and use of GOOD DESIGN in Ontario is dependent on the potential of the province's enterprises to put it to use. The following recommendations, which are basic to the growth of Ontario, cannot be stated too strongly.

THE PROVINCE MUST

1.1 Make available venture capital for the purposes of developing GOOD DESIGN, including funds for all aspects of product and market development.

1.2 Make available expansion capital for the exploitation and expansion of Canadian owned and managed companies, particularly new, small, and developing enterprises.

1.3 Upgrade Ontario's present capabilities in design, innovation and marketing management with particular emphasis on new and developing companies.

1.4 Create an atmosphere for the acceptance of and demand for GOOD DESIGN in all aspects of Ontario life.

1.5 Create a feeling of confidence in Ontario abilities to create, develop and exploit better ideas.

2.0 ON ACTION

The Government of Ontario should take immediate action in the following:

2.1 Adopt a GOOD DESIGN policy for all government spending and purchasing.

2.2 Encourage the use of Ontario design capabilities.

2.3 Establish the means for co-operative action with all sectors of the province.

2.4 Develop and put into action a comprehensive program for the promotion and acceptance of GOOD DESIGN by all elements.

2.5 Sponsor and promote exhibitions which will stimulate public, government and business interest in new and vital areas of potential development.

2.6 Develop a program for education and information for the people of Ontario.

2.7 Provide direct assistance to Ontario enterprises for the development of GOOD DESIGN.

2.8 Promote the use of GOOD DESIGN in the environment.

2.9 Assist in the strengthening of the professional capabilities of Ontario designers.

3.0 ON OPERATIONS

It is proposed that the province creates suitable agencies and methods for carrying out GOOD DESIGN policies and provides the means to promote and develop GOOD DESIGN.

3.1 Create a Council that establishes and advises on design policy (The Ontario Council of Design).

3.2 Establish an Ontario Design Development Corporation & Resource Centre to carry out design policies and to promote and develop GOOD DESIGN.

4.0 ON RESEARCH

The following are proposed as important areas for immediate investigation.

4.1 Create facilities for design, manufacturing and marketing research development which are an extension of present capabilities.

4.2 An investigation into the various existing government programs for design promotion and development, both Federal and Provincial.

4.3 A study of how provincial government purchasing could be used to promote GOOD DESIGN.

4.4 A study and analysis of the methods used by design promotion groups in other countries.

4.5 A task force to study impediments to GOOD DESIGN in Ontario and to make concrete recommendations for solutions.

5.0 ON RELATED SUBJECTS.

The following are recommendations that came through exploration team meetings and discussions which are related to general economic and environmental problems.

5.1 CAPITAL VERSUS OPERATING COSTS

It is recommended that studies be made of government budgetary systems.

5.2 SUBSIDIARY SECONDARY INDUSTRY

It is recommended that the government promote design development by subsidiary secondary industry through liaison and moral suasion.

5.3 INFILL HOUSING

The Ontario Government should investigate methods of efficient planning and construction for the rehabilitation of urban areas.

6.0 It is proposed the Province of Ontario immediately institute a Design Promotion & Development program.

7.0 It is proposed the Province establish a budget for the first 12 month period of the suggested promotion and development program.

DETAIL RECOMMENDATIONS

1.0 ON THE BASIC CLIMATE FOR GOOD DESIGN

1.1 VENTURE CAPITAL

Because the lack of capital for innovation and development represents a major barrier to a climate for GOOD DESIGN, the province should promote new privately operated funds for this specific purpose and itself organize funding to fill in the gaps. It will be important to show Ontario entrepreneurs that funds are available for well conceived and appropriate ideas. (Appendix 1 page 16)

1.2 EXPANSION CAPITAL

The bias of our financial institutions seems to be strictly towards short termed and assured profit. There is a reluctance in making expansion capital available to Ontario industry and the inevitable result has been the foreign takeover of many firms that had a good potential to grow but did not have the money. It is iniquitous that our financial institutions, using money deposited by Ontario residents, should finance the foreign takeover of our industry.

Therefore, ways must be found which discourage foreign takeovers of Ontario owned companies and to encourage investment in these companies; there should be a tax incentive to invest in Ontario owned enterprises and the tax structure should discourage investment into foreign companies thereby channelling these monies into investment at home; government, at all levels, should provide guarantees on investment in specific cases; the province should take an active role in searching out investment opportunities for public monies as long term, low interest loans.

1.3 MANAGEMENT CAPABILITIES

It is proposed that the Government of Ontario should institute immediately programs to assist management in developing its own capabilities.

(a) To develop extension courses, for all levels of management, on the techniques of corporate management in the fields of design and marketing.

1.3 MANAGEMENT CAPABILITIES (CONT'D)

(b) To institute a comprehensive two-year regional program to educate and improve the working use of the design process among product manufacturers in Ontario. This would be aimed primarily at Canadian owned companies and specifically at businesses that must diversify or create new products to survive or smaller businesses and new ventures. (Appendix 2 page 17)

1.4 ACCEPTANCE OF GOOD DESIGN AS AN ONTARIO STANDARD

The province is urged to undertake a major program for the development of GOOD DESIGN in Ontario through promotion, incentives and example. This will require:

(a) Creation of a GOOD DESIGN environment. (Appendix 3 page 18)

(b) Elimination of impediments to innovation, design and development. (Appendix 4 page 19)

(c) Creation of programs to stimulate GOOD DESIGN development. (Appendix 5 page 22)

1.5 CONFIDENCE

At this time, a period when we should be stressing the development and use of our own skills, there is remarkable tendency to downgrade Canadian capabilities. The fact that each time a Canadian bank invests in a large building development (Toronto-Dominion Centre, Commerce Court, etc.) it hires an American architect is an indictment. Therefore, it is recommended that the Ontario Government take steps to:

(a) Maximize the use of Ontario capabilities in all areas of design in its areas of purchasing and spending.

(b) Develop promotional and information programs on Ontario capabilities, past and present.

(c) Through policies which tax the unnecessary use of foreign capabilities and encourage the development of growth of Ontario expertise.

(d) Develop policies for product and systems development programs undertaken by the province, such as the development of transportation systems, that will assure a maximum participation by Ontario manufacturing and design sectors.

2.0 ON ACTION

The Government of Ontario must show leadership in the development of GOOD DESIGN. Without its active participation as a promoter, stimulus, catalyst and user of design there will be little chance of improving its status.

The Government must therefore;

(a) Create better opportunities for GOOD DESIGN.

(b) Demonstrate the importance of Innovative thinking.

(c) Create an image of Ontario capabilities to its people and outsiders.

2.1 AN ONTARIO GOOD DESIGN POLICY

Government purchasing practices, from municipal to federal, should encourage GOOD DESIGN development.

(a) The Ontario Government, as the largest single purchaser of goods and services in the province, should develop its own Design Policy on purchasing which would ensure all products and services bought by the government will be of good design.

(b) The Government should ensure monies being spent on major programs of development utilize Ontario capabilities to the fullest thus creating an investment in the development of our human resources and in the development of innovations in major fields that could have world wide implications. (Appendix 6 page 23)

(c) All government departments and agencies should avoid building up in-house design staffs and rely on outside capabilities. It should establish that all manufacturers competing for Ontario Government business must include a budget for design capabilities.

2.2 UTILIZATION OF ONTARIO DESIGN CAPABILITIES

It is proposed that the Government take every possible step to encourage the use of designers both in the private and public sectors and that promotion and incentives be aimed at;

(a) The investment sector

(b) Manufacturing and service industries

(c) Primary producers

(d) Distributors and retailers

(e) Provincial government departments, agencies and public corporations.

2.2 UTILIZATION OF ONTARIO DESIGN CAPABILITIES (CONT'D)

(f) Municipal and regional departments and agencies.

2.3 COOPERATIVE ACTION

It is proposed that the Government of Ontario act as a catalyst;

(a) To establish close contacts with the Canadian Manufacturer's Association and through them with industry groups to encourage cooperative action on design development,

(b) Cooperate with Agencies and Councils, federal and provincial, government and private, which can contribute to improving the climate for GOOD DESIGN,

(c) Cooperate with businessmen's retailers and purchasing agents associations on the development of markets for GOOD DESIGN,

(d) Encourage joint ventures in research, development, and marketing among complementary industries and industry groups. (Appendix 7 page 24)

2.4 GOOD DESIGN PROMOTION

It is proposed that the province institutes a comprehensive program of GOOD DESIGN promotion through the following:

(a) Create a certification and labelling program for GOOD DESIGN in Ontario products, services and environments.

(b) Improve the impact and effectiveness of the EDEE design award programs.

(c) Develop an advertising program to promote GOOD DESIGN in the province and one for advertising well designed Ontario products in both domestic and foreign markets.

(d) Use all existing communications media to assist in the promotion of GOOD DESIGN.

(e) Run cooperative design promotions with merchandisers.

(f) Create major and travelling exhibits on GOOD DESIGN.

2.5 EXHIBITIONS

In order to expose Ontario enterprisers, business and the public to new opportunities, it is proposed that the Ontario Government sponsors and promotes major exhibitions. Some potential areas are:

(a) Pollution Prevention and Waste Recycling (Appendix 8 page 25)

(b) Construction and Housing industry

(c) Transportation Industry

2.5 EXHIBITIONS (CONT'D)

(d) Industrial technology

(e) Recreation industry

2.6 GOOD DESIGN EDUCATION PROGRAM (Appendix 9 page 26)

It is proposed that the Government of Ontario should establish a program of education in GOOD DESIGN in the following areas:

(a) In the general educational system from pre-school to high school.

(b) A post secondary school of design which meets the highest standards.

(c) A program for Adult Education

(d) A program aimed at business and management at all levels.

2.7 ASSISTANCE TO INDUSTRY

It is proposed that the Ontario Government immediately assist Ontario manufacturers through:

(a) Assistance to enterprisers in applying for Federal assistance and grant programs for design and development. (Appendix 10 page 27)

(b) Establishing test panels and test markets for Ontario products, services and innovations. (Appendix 11 page 28)

(c) Providing financial assistance to enterprisers in the form of low interest loans or grants, in areas not covered by existing Federal programs. (Appendix 12 page 29)

2.8 DESIGN IN THE ENVIRONMENT (Apendix 13 page 30)

It is proposed that the province should institute the following steps to encourage GOOD DESIGN in the environment:

(a) Undertake changes in property taxation.

(b) Change zoning, planning and building by-laws which tend to encourage unfit design and restrict innovation.

(c) Establish criteria and performance standards for the environment which meet community, social, aesthetic and user needs.

(d) Provide initiative and encourage local programs of environmental improvement.

2.9 DESIGN CAPABILITIES

It is proposed that the province should encourage the development of Ontario professional capabilities in design.

(a) Assist in the development of a comprehensive design association such as the Society of Industrial Artists and Designers in Great Britain.

(b) Provide design technology missions for the study of design practice and use in other countries.

(c) Establish extension courses on business practice for designers.

3.0 ON OPERATIONS

It is imperative that the province makes a major commitment to support and promote GOOD DESIGN. Therefore the following are proposed methods and vehicles required in order to encourage the implementation of GOOD DESIGN policies.

3.1 ONTARIO COUNCIL OF DESIGN

It is proposed that the Government of Ontario should establish an Ontario Council of Design to generate and advise on GOOD DESIGN policies and to act as a permanent advisory group to the Minister of Industry and Tourism.

It is further proposed that initially the Council would consist of ten to twelve active members drawn from the business, promotion and professional communities. Although it is recommended that the membership should be from outside government, it is suggested that the Ministry would appoint individuals from the public sector to be advisors and observers. Renumeration for the Council members would be in accordance with standard government practice. The government would provide one full time staff member for the Council and such part-time secretarial and research assistance as would be required to assist in the work of the Council.

Membership on the Council will be for a three-year term, renewable once. The Council would be responsible for the election of its executive and for new member nominations.

The Council would act as the Board of Directors for any and all agencies established by the province for the promotion and development of GOOD DESIGN.

3.2 ONTARIO DESIGN DEVELOPMENT CORPORATION

This proposed Corporation would be the agency responsible for carrying out policies and programs for design promotion and development. It should be an entity independant from any government department and answering directly to the Minister of Industry and Tourism under the guidance of the Ontario Council of Design. (Appendix 14 page 32)

The Corporation would be responsible for the development of a DESIGN RESOURCE CENTRE. (Appendix 15 page 33)

4.0 ON RESEARCH

The importance to the province and the size of commitment in time and money involved in creating an effective, efficient and apt program for design promotion and development require a thorough search to find the optimum methods and timing. It is proposed therefore that the province should undertake research in a number of specific areas as soon as possible.

4.1 DESIGN RESEARCH & DEVELOPMENT FACILITIES (Appendix 16 page 34)

It is proposed that the Province of Ontario should examine the feasibility and potential of establishing facilities for applied research in design, innovation and marketing development. These facilities could be particularily useful in tackling problems which are beyond the present capabilities of Ontario industry, especially small and new enterprises. They might include:

(a) A design development group to assist Ontario enterprises in innovation and design research.

(b) A marketing development group to assist Ontario enterprises in basic marketing inputs.

(c) A skill development facility to assist the development of craft-based enterprises.

(d) A small quantity production research group to assist in the development of small production manufacturing techniques.

4.2 EXISTING DESIGN DEVELOPMENT AND INCENTIVE PROGRAMS

A review and analysis of the impact, effectiveness, breadth and pertinence of all present government, federal and provincial, design development and promotional programs.

(a) Provincial EDEE awards and Product Development Clinics.

(b) The National Design Council and the Office of Design, Department of Industry, Trade and Commerce.

4.2 EXISTING DESIGN DEVELOPMENT AND INCENTIVE PROGRAMS (CONT'D)

(c) Federal programs; IRDIA, PAIT AND IDAP.

(d) The Manitoba Design Institute.

(e) Design Management programs in Manitoba and Quebec.

4.3 GOVERNMENT OF ONTARIO PURCHASING AND DEVELOPMENT POLICIES

A study of present purchasing and development methods as they relate specifically to the concept of GOOD DESIGN promotion and development.

(a) Areas in which GOOD DESIGN policies could be instituted immediately for contracts and purchasing.

(b) Areas of potential for the use of innovation and design.

(c) Methods by which outside specialists could be employed for areas of GOOD DESIGN potential.

(d) Methods for introducing GOOD DESIGN in all government undertakings.

(e) Areas where the government must take the initiative in creating design and development programs.

4.4 FOREIGN DESIGN PROMOTION AGENCIES

A study is proposed to guage the impact and effectiveness of design development and promtion programs in other countries. These must be evaluated from all points of view; industry, business, manufacturing, government and the design profession. The essential principle is not to copy but to find out how programs have worked to be better able to tailor the Ontario concept to the Ontario need. In particular the following countries have design promotional groups which have proven to be useful: Australia, Austria, Czechoslovakia, both East and West Germany, Great Britain, Hong Kong, Ireland, Holland, Japan, Norway and Sweden. (The preceding recommended by the Secretary General, International Council of Societies of Industrial Design.)

4.5 TASK FORCE ON IMPEDIMENTS TO GOOD DESIGN

This proposal is for a working group to search and find solutions to impediments to GOOD DESIGN in Ontario. Its responsibilities would be to set up an order of priorities and to examine in detail each area and with the help of advisors and experts to propose policies and actions. The group would be concerned with:

(a) The product manufacturing industries.

(b) Environmental and Community planning.

4.5 TASK FORCE ON IMPEDIMENTS TO GOOD DESIGN (CONT'D)

(c) The craft and tourist product industries.

(d) Service industries.

(e) Construction and housing industries.

(f) Impediments to innovation, design, and development in foreign owned subsidiaries. (Appendix 4 page 19)

5.0 ON RELATED SUBJECTS

5.1 CAPITAL VERSUS OPERATING COSTS (Appendix 17 page 36)

As appropriation, financing, budgeting and control of capital funds has become far too remote administratively from appropriation, financing, budgeting and control of operating funds, the Government should study and recommend techniques for weighing, relating and trading off these two kinds of costs.

5.2 SUBSIDIARY SECONDARY INDUSTRY

Secondary industry and service industries have developed a pattern of copying design from outside and are reluctant to use improved or new designs until they have been proved elsewhere. By then it is usually too late.

It is vital to the growth of industry in Ontario that U. S. companies are persuaded to design and develop new products for their total international markets in their Ontario subsidiaries. This can only happen if government pressure on one hand and the promotion of advantages on the other are impressed upon them. In particular, there are certain aspects of the conditions here that make it better for some types of development. For example, design and research costs are invariably less due to the scale of operations, set-up and production costs are lower for short runs, and marketing costs for testing and national promotion campaigns are lower.

5.3 INFILL HOUSING

A program should be launched in two test neighbourhoods, one in Toronto and one in a smaller Ontario city. (Appendix 18 page 37)

TIMETABLE - 1973 ACTION

#	SUBJECT	SPECIFIC STEPS	RESPONSIBILITY	KEY DATES
1.	Design Council	-appointment of Council + govt member	Exploration Team/ Govt	by Feb 15/73
		-1st Council meeting		by Feb 28/73
2.	Design Corporation	-appointment of Managing Dir	Counc/Minister	by Mar 15/73
		-staffing & offices	Council/Mg Dir	May 1/73
3.	Design Promotion	-liaison with other groups	Mg Dir Corp	on-going
		-certification program	Council	
		detailed recommendation		by Dec 1/73
		-advertising proposal	Council/Corp	by Dec 1/73
		-exhibition - detailed recommendation on pollution prevention & waste recycling	Mg Dir Corp	by Dec 1/73
4.	2 Year Regional Programs	-planning & organization	Corp/Govt	Mar-July/73
		-pilot project		May 15/73
		-1st year regional program starts	Mg Dir Corp	Sept/73
5.	Capital Study	-work with Govt to establish frame of reference	Council	by Apr 15/73
6.	Incentives Study	-define project	Council	Mar 15/73
		-appoint Exploration Team	Council	Apr 1/73
		-report on specific recommendations	Council	Nov 30/73
7.	Govt Design Practice	-complete review of Govt design practices to develop Design Policy	Council	by Nov 30/73
8.	Design Education	-work with Govt on initial agreements	Council/Govt	by July 1/73
9.	Foreign Design Agencies	-Mg Dir Corp + Council members travel to foreign countries		April-May/73
10.	Foreign Design Technology Mission		Council	Oct/73

Note: The above is a tentative timetable. The Design Council must establish specific projects and timetables. Additionally, the Council and the Managing Director of the Corporation must provide semi-annual evaluations on the progress of all key projects.

A) Complement		$	$	$
COUNCIL ($55,600)	Chairman (60 days)	9,000		
	(travel)	2,000		
			11,000	
	11 members (20 days)	17,600		
	(travel	11,000		
			28,600	
	Secretarial Assistance (365 days) (8,000 x 2 O.H.)	16,000	16,000	
				55,600
CORPORATION ($247,000)	Managing Director (365 days) (30,000 x 2 O.H.)	60,000		
	(travel)	4,000		
			64,000	
	Executive Assistant (365 days) (18,000 x 2.5 O.H.)	45,000		
	(travel)	2,000		
			47,000	
	Industrial Development Officer (Management Programs) (365 days) (18,000 x 2 O.H.)	36,000		
	(travel)	2,000		
			38,000	
	Industrial Development Officer (Marketing) (365 days) (15,000 x 2 O.H.)	30,000		
	(travel)	2,000		
			32,000	
	Industrial Development Officer (Information) (365 days) (12,000 x 2 O.H.)	24,000		
	(travel)	2,000		
			26,000	
	Senior Secretary (365 days) (8,000 x 2 O.H.)	16,000	16,000	
	2 Clerk Typists (365 days) (12,000 x 2 O.H.)	24,000	24,000	
				247,000
DESIGN LIAISON OFFICER ($47,000)	Design Liaison Officer (365 days) (18,000 x 2.5 O.H.)	45,000		
	(travel)	2,000		
			47,000	
				47,000
				349,600

B) Programs (Ontario Design Development Corporation)

	$
DESIGN PROMOTION	
-publicity, awards and certification program	30,000
CONSULTING SERVICES	
-related to design promotion	25,000
PRODUCT DEVELOPMENT MANAGEMENT PROGRAM	
-3 consultants/session - 10 days for each of 3 sessions @ $250 day	22,500
-expenses @ $55 per diem	4,900
-promotional expenses	10,000
FURTHER EXPLORATION AND FACT FINDING	
a) immediate direct research: study and analysis of Design promotion methods (foreign)	25,000
b) immediate related research: (co-ordinated with other appropriate agencies)	
i) Capital Study: (corporations portion)	25,000
ii) Design Incentive Study (exploration team government and private)	20,000
DESIGN INFORMATION AND EDUCATION	
-foreign design technology missions	25,000
-extension courses for designers on business management	4,000
-co-operative programs with other ministries	15,000
-promotion costs	10,000
	216,400

TOTAL BUDGET 1973	COMPLEMENT	$349,600
	PROGRAMS	$216,400
		$566,000

APPENDIX 1

VENTURE CAPITAL

Venture capital is really composed of two rather different investments: a) initial, very experimental, and relatively small amounts; and b) the subsequent, larger amounts required when a venture has become sufficiently successful to require capital for expansion.

Ontario is obviously deficient in venture capital by either definition -perhaps by the second even more that the first if we consider the numbers and varieties of enterprises in all kinds of fields that do somehow establish themselves but then must sell out to foreign buyers specifically because they cannot otherwise obtain expansion capital. However, there is no way of knowing how much higher the "enterprise birth-rate" itself might be if more initial venture capital were available too.

To be effective, venture capital must be available to young men and women; in particular, it must be open to the ideas for investment that come from its clients (rather than depending on the ideas of those dispensing the capital), it must be available on the basis of relatively quick decisions (before opportunities evaporate), and must respect the potential in modest, experimental endeavours.

Venture Capital organizations would be independent and using private capital, but perhaps instigated by the Province and perhaps with Provincial representation on their boards. A rough model might be American Research and Development, which was instigated by a governor of the Federal Reserve Bank of Boston.

These organizations could start with specialties: for instance, investing in the camping goods industry. Also, if the Province does become host to a vast, new petrochemical installation for plastics production, there also ought to be a venture capital organization or organizations to serve new and/or expanding plastics fabricators, designers and so on. Otherwise, we may be sure plastic will be exported like so much ore, or monopolized by branch plants with little potential as Canadian exporters.

A venture capital organization need not specialize, of course. Probably what is needed are new avenues for both general and specialized venture capital.

APPENDIX 2

PROPOSED PROGRAM FOR DESIGN MANAGEMENT

ASSISTANCE TO ONTARIO OWNED MANUFACTURERS OF PRODUCTS

Recommended that an extensive 2 year regional program be undertaken to educate and improve the working use of the design process among product manufacturers in Ontario (aimed primarily at Canadian owned companies, small and new businesses).

The central part of this program will be a series of continuing regional workshops on the subject of Design Management.

The key elements of these workshops will be:

(a) their regional nature - a team of consultants will be assigned to an area (e.g. S.W. Ontario) and through clinics etc., will be responsible for the development of design in that area.

(b) they will be targeted exclusively at companies who could use industrial or product design (i.e. no service companies, foodstuffs, etc.)

(c) primary emphasis will be towards smaller companies and Canadian owned companies (although subsidiaries of large U. S. concerns will not be turned down, they should not be encouraged)

(d) a team of private consultants/businessmen will lead the workshops (probably 3 per regional area - an industrial designer, a marketing and sales man and a general management/financial advisor)

(e) the key elements to the workshops will be the total immersion of these 3 consultants into each participants business (it is recommended that the consultant will spend a minimum of 3 days per company probably spread across 6 months) and the fact that they remain responsible for the progress of the company after initial contact!

(f) the consultants responsibility will not only be to talk in general terms about the design process but to go into considerable planning detail and assisting in implementation.

(g) the consultants will also be responsible for ensuring that longer term follow-up is available, on a low cost basis, to interested participants (e.g. this could be accomplished by involving local business, design and engineering students either as class projects or part time/summer employment.

APPENDIX 3

THE ENVIRONMENT REQUIRED FOR GOOD DESIGN

An aware, imaginative and energetic attitude on the part of management.

The development of skills and superior technical competence within and outside of industry.

The development of better marketing capabilities in the areas of finding new markets and exploiting new opportunities for small and medium sized industry.

An understanding and appreciation by top management of the benefits of design policies.

An understanding and appreciation in all sectors, of the value and importance of design.

Comprehending the importance of taking every advantage of developing and using native capabilities.

APPENDIX 4

IMPEDIMENTS TO INNOVATION, DESIGN & DEVELOPMENT

A dismal lack of confidence in ourselves and each other.

Industry is often not tailored to meet the actual needs of the province.

- Some manufacture too great a variety.
- Some may have too limited a product line.
- Some are manufacturing products that may be uneconomical to produce here.
- Some are not manufacturing products that should be made here.

Communications are greatly lacking between the various creative disciplines and areas that relate to new product development.

Secondary industry, and service industries, have developed a pattern of copying designs from outside and are reluctant to use improved or new design until they have been proved elsewhere - by then it is usually too late.

Canadian consumers are not conscious enough of good design and are primarily influenced by trends of promotion and acceptance in the United States. This is a major problem that cannot be easily overcome.

Short term Corporate objectives are not necessarily condusive to new development or with the socio-economic goals of the province.

The wariness of our industry and business sector to innovation and experiment is exemplified by its misuse or lack of use of design capabilities which exist.

Few companies in Ontario have developed a corporate goal for innovation and design and design policies and budgets hardly exist at all.

Companies who are innovative in the technical sense rarely seem to have total design policies that would include industrial design - this puts them into a vulnerable position in international markets where the competition can be fierce.

Canadian distributors and retailers shy away from buying design that has not been proven in the U. S. market. A solid market base at home is usually a necessity if one is to export.

APPENDIX 4 (CONT'D)

We are hamstrung by the fact that at the present time, the preferences and needs of our domestic market are created and moulded by the flow-over from south of the border.

There is a lack of risk capital for innovation at the research, development and exploitation levels.

Small firms find that they often need only a small amount of government assistance money but that this involves too much costly processing on their part.

Present Canadian content in manufactured goods is inadequate.

Subsidiary companies rely too much on parent research, development and design.

Research and Development funds are often misdirected.

Federal policies and assistance seems mainly concerned with curing the symptoms while ignoring the basic problems.

The Federal Government, which is the major supplier of incentives, seems to be isolated from the real problems faced by both industry and entrepreneurs and tends to deal in theoretical rather than practical terms.

There is a great lack of entrepreneurial and management skills in much of Ontario owned industry.

There is a myth, believed by too many, that the domestic market is not big enough to support new ideas for improved and new products.

IMPEDIMENTS TO INNOVATION IN THE CONSTRUCTION INDUSTRY

Lack of cooperation between the building industries on research and development.

Existing by-laws that are out of date.

Need for a comprehensive and universal provincial building code.

Lack of funds for prototype experimentation that could lead to meaningful innovations.

Death of research information and facilities.

Incentives do not exist for financing innovations in the industry in practical terms.

APPENDIX 4 (CONT'D)

IMPEDIMENTS TO INNOVATION IN THE TOURIST PRODUCT INDUSTRY

Economical small quantity manufacturing technology and techniques are not available.

Distributors and retailers are primarily interested in selling inferior merchandise.

Promotion of products of Ontario design is limited.

Virtually no incentives exist for design innovation.

IMPEDIMENTS TO GOOD ENVIRONMENTAL DESIGN

Difficulties exist in getting cooperation between various local departments who influence the design of the environment.

Lack of political interest in giving some priority to the design of environmental products.

Lack of incentives to communities to act.

Lack of experimental programs to demonstrate potential improvements.

Lack of leadership by the province or by the larger municipalities and a lack of cooperation and communications between all levels of government.

APPENDIX 5

STIMULANTS FOR DESIGN INNOVATION & DEVELOPMENT

(a) Promotion of Design and Development to the decision makers in industry, finance, business and the creation of a climate of awareness in all levels of business, the general public and governments.

(b) Promotion and support provided to distributors and retailers of Ontario made and designed products through:

- Publicity and Advertising
- Tax incentives
- Marketing and exposure support including the costs of independent expertise

(c) Tax incentives and write-offs that provide support through the total product development and exploitation program.

(d) Tax incentives to retain the use of Ontario design capabilities.

(e) Optimal write-offs for all costs incurred in the improvement and development of new products including capital and operation investment.

(f) The government will have to provide risk capital for the development of those concepts which are highly innovative and for which there may be no market existent but a great future potential.

(g) The Province should, through legislation and persuasion, do everything possible to make foreign parent companies have their Ontario subsidiaries develop and design products here.

(h) Create a climate of confidence in Ontario capabilities through examples and publicity.

(i) Create the means for the communication of knowledge, capabilities and opportunities e.g. stimulating cooperation between innovators, entrepreneurs and the business community.

APPENDIX 6

ONTARIO CAPABILITIES

There is a danger in short-term thinking of grabbing design technology generated somewhere else. We only spend a lot of money. Even if manufacturing takes place in Ontario, the technological design capabilities have not been designed here. All of the advantages have been accrued to the parent or foreign company.

We must stop this because there is more to development than just the building of a product or system. There is the establishment of design management and technological capabilities.

It should be policy of the Government to ensure design and development takes place here. We can use research and technological development created elsewhere through licensing or consulting arrangements. But it is imperative that the bulk of design development and manufacturing is done here. Only in this way can we:

(a) make sure most of the money is spent in Ontario (design development and manufacturing).

(b) create native capabilities that can both exploit that product or system and from spin-offs capitalize on future developments.

APPENDIX 7

ENCOURAGEMENT OF JOINT VENTURES

Large foreign-owned and directed companies market designs of the parent organizations.

Smaller companies tend to:

> Look on design as an expensive luxury and do not give out the needed importance, copy existing designs from each other or from foreign sources, undertake product design without qualified or experienced people, are simply ignorant about what design is and what it can do for them, have an inadequate approach to marketing and product development management, and have no previous experience and hold a rather poor view of creative people.

The Ontario Government should take the lead in convincing Ontario manufacturers that they should cooperate with each other in certain aspects of research and development.

> Industries in manufacturing for example, should establish joint venture business and research operations. These should be funded cooperatively with the participants bearing half the cost and the Provincial Government the rest.
>
> Every relief from taxes should be provided these groups. As much cross-fertilization of ideas as possible should be encouraged between the participants. Joint venture manufacturing should be encouraged, particularly in areas of high technical input. Joint marketing ventures should also be encouraged.

APPENDIX 8

POLLUTION PREVENTION AND WASTE RECYCLING; AN EXHIBITION

Polution prevention and waste recycling: The Province should hold a First Bi-Annual Waste Recycling Show -- for this industry which hardly exists as yet. It should invite as exhibitors anyone in the Province with either a relevant device or a relevant service to offer, whether established or simply trying to get established; and the show should also be open to exhibitors of equipment from anywhere in Canada or the rest of the world.

The public should be invited to the show. Actually, the most relevant public probably consists of elected officials, civil servants and industrial executives, but they are probably not going to do much about what they see, if anything, unless the public sees it too.

The first show will be somewhat meagre, perhaps even the first several, but so what? The first few Los Angeles electronics shows were relatively meagre too.

One of the main purposes of the show, for at least the first few years, would be to provide officials of the Ministry itself with an overview of what's in the wind, so they can provide, or help arrange, financing for the Ontario services and devices that look promising.

This is surely going to be one of the great industries of the near future, and Ontario had better get a lot of small new departures under way soon or it is going to miss out. The establishment of the Bi-Annual Show, with proper follow-up, could help Ontario become a world leader in this incipient industry.

APPENDIX 9

EDUCATION

In a democracy it becomes essential for all people to be made aware of its needs, regardless of its concerns, problems, health or environment. In the past it was possible that a small oligarchy could know and direct. The failure of our modern society to educate people to measure the importance of our visual environment is obvious. It can be only remedied by Public Education at all levels and a concerned Public Awareness Program.

Education programmes must be concerned with the training of professional designers, training young people, and establishing contact between craftsmen and students. Each profession will have its own specific requirements and the Ministry of Industry and Tourism should encourage an apprentice program in consultation with the Ministry of Education and the professions.

The committee proposes that elements of design teaching be introduced at all levels of education and that programs should be developed to educate and inform the general public, government, management people, and professionals in other disciplines.

We also propose that there is a dire need for an outstanding post-secondary school of design which could produce graduates who meet the higest international standards. Additionally, education and information programs should be created to provide designers in mid-career with on-going training.

We propose that the leading practitioners should be involved in the development of the School of Design and that they would provide a major educational input. Their fees would be based on their normal charges for services.

APPENDIX 10

FEDERAL GOVERNMENT ASSISTANCE PROGRAMS

Small firms find they often need only a small amount of government assistance money but this involves too much costly processing on their part. Also, research and development funds are often misdirected. Federal policies and assistance programs seem mainly concerned with curing the symptoms while ignoring the basic problems.

The Federal Government, which is a major supplier of incentives, seems to be isolated from the real problems faced by both industry and entrepreneurs and tends to deal in theoretical rather than practical terms.

The Ontario Government should introduce tax incentives and write-offs which provide support through the total product development and exploration program.

Such programs could include: tax incentives to retain the use of Ontario designed capabilities, optimal write-offs for all costs incurred in the improvement and development of new products including capital and operating investment, and financial assistance for the design and development of products which will have to be planned mainly for their export potential.

APPENDIX 11

TEST PANELS AND MARKETS

The Provincial Government should develop test panels and a test marketing process for Ontario industry to be used for new product and design introduction. The cost of introducing a product into the marketplace is always high due to the costs of promotion. Methods, facilities and money are needed.

Attention should be focused on distributors and retailers to encourage the sale of Ontario designed products. A program of education and promotion is required along with incentives. It is essential that the cooperation of Ontario distributors and retailers is involved in the program of design implementation.

Our industry can only export products on the basis of having better products to sell and to-day this means better design.

If products are created that can be successfully merchandized in Canada, their introduction into foreign markets is more feasible. In most instances we have to first create a market for products at home as a base before trying to sell them abroad.

APPENDIX 12

PROVINCIAL GOVERNMENT ASSISTANCE PROGRAMS

Financial assistance should be basically limited to Ontario owned and managed companies who pursue aggressively product development and marketing and all assistance should be conditional upon the recipients having the facilities and qualified capabilities, in-house or outside, to carry out objectives successfully.

On the short term, incentives should be given to established companies to improve their performance and flexibility. On the longer term, new industry and small existing industry should be encouraged and assisted in developing new ideas.

In developing these programs, the Government should consider the following:

(a) minimizing red tape.

(b) assisting Ontario entrepreneurs in making applications for federal assistance and grants.

(c) provide resource consultants to assist applicants.

(d) award grants to people with initiative, imagination, energy, and potential.

(e) grants should be given for inventive thinking and not for doctoral degrees.

(f) grants should be handled by a review board composed of people from industry and practicing technical, management and marketing sources.

(g) specific support in industrial and environmental areas where immediate problems have to be faced or where there is immediate potential.

APPENDIX 13

MAJOR CHANGES TO ENCOURAGE GOOD DESIGN IN THE ENVIRONMENT

(a) Taxation:

Change present property and building taxation system that is creating deteriorated areas and misuse.

Establish a coordinated approach to income and property taxes to encourage deployment of capital funds into the creation of better environments and the maintenance of the stability of neighbourhoods.

(b) Zoning:

Performance zoning is recommended as a replacement for the present system which has proven to be faulty.

(c) Comprehensive Planning:

Create the means of comprehensive planning between municipalities, regions, the provincial and federal governments.

(d) Building By-laws:

Rationalize present building by-laws and create a provincial code with sufficient flexibility to encourage initiative in the development of new methods and concepts.

(e) Environmental Appearance:

Provide initiative and encourage local programs for the improvement of the appearance of communities.

(f) Trees and Plantings:

Encourage community action in landscaping and tree-planting. The Department of Lands and Forests should become an economical source of trees large enough to make an immediate impact on the streetscape.

(g) Hydro and Overhead Wiring:

A program should be instituted to remove overhead wiring wherever possible and to upgrade the design of all electrical distribution hardware that offends the environment.

(h) Street Furniture:

Communities should be encouraged to remove all unnecessary items from the streetscape and to replace and extend the use of street furniture.

APPENDIX 13 (CONT'D)

(i) Signage:

A program of rationalization and improvement is required province-wide on all street and highway informational signage both from the point of view of clarity and aesthetics. Criteria should be set up for all advertising signage in the environment.

(j) Infill Concept:

Encouragement should be given to the development of building methods and economics to maintain sound and to replace unsound building stock in the communities.

(k) Building Maintenance:

Develop programs (Norwich Plan) to maintain buildings at an acceptable standard.

(l) Legislation on existing structures:

Provide legislation to protect buildings of historic or community interest and create public awareness.

(m) Human Environment:

Encourage the development of people oriented communities through programs for community participation in establishing performance standards and objectives. Encourage park integration, pedestrian walks, people spaces, etc.

(n) Mixed Land Use:

Encourage variety and mixed land use in neighbourhoods.

This program should be backed by the availability of professional assistance of local specialists and assistance provided by underwriting the cost of professional assistance, in whole or in part, to smaller communities or areas within larger ones.

APPENDIX 14

ONTARIO DESIGN DEVELOPMENT CORPORATION FUNCTIONS

The Corporation would be responsible for carrying out the Government's policies on design and its duties would be to:

(a) Promote good design and to seek the co-operation of people in management, industry, finance and merchandising to this end.

(b) To promote design development to all levels of Government and most particularly to those areas that are responsible for large budgets for equipment, systems, products, and environment.

(c) To work with the various design professions and educational authorities.

(d) To co-operate with other bodies and councils, government and private, in areas which are related to the climate for design.

As an independent agency, the Corporation's flexibility and mobility will enable it to operate efficiently with the government and private sectors. It would also establish a pattern for its future operations when all sectors would share the cost of its operations.

APPENDIX 15

THE RESOURCE CENTRE

The Centre would:

(a) Operate all design implementation programs for the province.

(b) Provide a resource centre for expert advice on all matters related to environmental, corporate, industrial and craft design.

(c) Conduct lectures, seminars and workshops for all sectors.

(d) Maintain an index on Ontario Design.

(e) Maintain an index on Ontario designers and related consultant resources.

(f) Create or commission articles and news releases.

(g) Maintain a Design Awards program.

(h) Publicize Ontario Design Activity through its own publication and through all the communications media.

(i) Organize and conduct regional design and marketing development programs.

(j) Conduct a vigorous search for design opportunities in Ontario.

(k) Create displays for a permanent exhibition area on Ontario design and develop travelling displays for regional presentation.

(l) Exhibit such displays from other sources as are deemed useful for educational and design information purposes.

APPENDIX 16

DESIGN RESEARCH AND DEVELOPMENT FACILITIES

(a) DESIGN DEVELOPMENT INSTITUTE

An independent institute for design development is proposed to serve the province in four ways.

1. To assist industry, enterprisers, innovators and inventors on basic idea development in design.

2. To develop new areas for design implementation in Ontario where existing private funds are not available.

3. To provide a technical, testing and prototype facility for Ontario enterprise.

4. To provide an advanced training and education centre where many disciplines can work.

- The initial capital investment for the Design Development Institute would come through a grant from the provincial government. Operating an expansion costs would be received through earnings, the Federal Government and private grants.

- The physical resources would be available to qualified people on a short term basis for idea development. Thus an architectural or design firm could have one of its members conduct a basic design investigation to develop a prototype and this would also be true of manufacturers or innovators.

- The Institute would conduct periodic invention and innovation workshops and seminars.

(b) MARKETING DEVELOPMENT INSTITUTE

A proposed independent institute aimed at providing facilities and resource people for the market evaluation and testing of new ideas in products and services. It is suggested that although managed independently, it would have a close tie with the Design Development Institute. Its functions would be to:

1. Assist Ontario enterprisers to evaluate and test the potential of new ideas in products and services.

2. Ascertain and develop basic information on user needs and preferences.

APPENDIX 16 (CONT'D)

3. Provide an advanced training and education centre for people in new business development.

- The basic operation of the Institute would be similar to the Design Development Institute.

(c) SKILL DEVELOPMENT INSTITUTE

This third proposed institute is specifically related to the craft-oriented sector of business. Its objectives would be to assist in the technical, skill and marketing development of craft based industries and would draw on some of the resources of the other two previously mentioned. However, its capital and operation costs would be entirely subsidized and its earnings of little consequence.

(d) SMALL QUANTITY PRODUCTION INSTITUTE

This is a proposal for a research and development institute that would be initially funded by the government to deal specifically with new concepts for economical small quantity production. Much of manufacturing technology today is based on mass production techniques that are more suited to the United States scene and there is a vital gap in technology suited to small Ontario manufacturers and enterprises.

The above institutes are not suggested to be large centralized organizations. Rather the concept would be to provide facilities some of which could be centralized and others separated, but operating on the principle of individuals and small groups of people being able to find creative solutions to problems and having the opportunity to exchange ideas and experiences. It would be a fundamental principle that where patents are involved, they belong to the individual and/or his sponsor.

The institutes would be totally non-academic in nature. The people participating would be practitioners rather than fundamental researchers.

APPENDIX 17

CAPITAL VS OPERATING COSTS

While there are, of course, many good and necessary reasons for separately budgeting capital and operating costs, the separation within government (including the Provincial Government) is out of hand and is now counter-productive.

It often happens that an additional capital expenditure can achieve net total savings owing to lower maintenance or other operating costs. The "trade-off" is often fantastically difficult or even impossible in a government-financed operation.

But the opposite situation can also occur: an additional operating expenditure, precluding a capital cost, can result in net total savings. For example, a rather elaborate materials handling system, instead of a simpler one, has been installed in a new provincially financed hospital. Annual amortization and interest on the system considerably exceed anticipated annual payroll savings from its use. On the face of it, this decision was financially bad. It was also functionally bad because the capital expenditure was at the sacrifice of alternate, highly desirable capital facilities. And it was probably socially bad, if one weighs the interest payments against the provision of jobs. All these disadvantages were well understood at the time the decision was made; yet the decision was forced by the fact that an operating-funds crunch was foreseen and there was no way to translate the savings of the wiser capital decision into operating funds.

In general, the situation discourages not only thrift, but also ingenuity and innovation. Usually the practical employment of those qualities and their products depends specifically upon net advantageous "trades" between capital and operating considerations, especially costs. As government funds all, or portions, of more and more socially approved endeavours, this built-in brake on ingenuity and thrift becomes more and more serious.

Appropriation, financing, budgeting and control of capital funds have all become far too remote administratively from appropriation, financing, budgeting and control of operating funds. It is suggested that private, commercial, industrial and service organizations, even very large ones, do not arrange this built-in handicap for themselves. Realizing that public services can not be "profitable" in the same sense as private commerce and industry it seems that techniques for weighing, relating and trading off these two kinds of costs could nevertheless be adapted to government. Government administration would also have to be adapted to put these techniques to use.

APPENDIX 18

IN-FILL HOUSING

THE CONCEPT

Infilling is a method of adding to the total housing stock and simultaneously encouraging rehabilitation of the existing housing stock in city neighborhoods by inserting new construction only into gaps between habitable or rehabilitable buildings.

The key to feasible infilling is a system of flexible, pre-designed modules about 22 X 22 ft. square, which can be combined in varying ways on fortuitous sites, including the very smallest. Thus, sites of any size and of many varying shapes can be used without the economic disadvantage of "custom construction" for each site.

A suitable module should be adaptable to single-family dwellings, flats, duplexes and rooming accommodations and should permit a variety of exterior claddings and fenestration.

The point of infilling is that it avoids destruction of neighborhoods and of usable housing, the Achilles heel of conventional programs including Urban Renewal.

To fill out project or high-rise sites, current practices sacrifice much good and reclaimable housing along with bad. The result is a net loss of moderate and low-cost housing which is already in shortest supply, as well as an uneconomic use of resources. The destruction inflates the cost of city housing.

There is also a period of time as long as two years or more while a site is being cleared and then lies empty, further reducing the housing supply available at any given time.

A serious side-effect is that displaced people are sometimes overcrowded into other neighborhoods which also deteriorate because there is no means of injecting new construction there except by repeating the same destructive process.

Ironically, the more money spent, the more all these problems are intensified.

Neglecting new construction in already built-up parts of cities is no answer because old buildings do wear out, commercial and industrial buildings do become obsolete and are vacated, and vacant lots better not left vacant do exist. In short, normal attrition necessitates construction to combat blight, to maintain neighborhood stability, and to encourage maintenance and rehabilitation of adjacent housing stock.

APPENDIX 18 (CONT'D)

Attrition is a continuous process that eventually affects all built-up areas. To counter it, a flexible, dynamic improvement process is needed instead of letting habitable housing deteriorate and neighborhoods decline awaiting clearance of major sites.

To confer maximum benefit, an infilling program should be accompanied by programs for low-cost rehabilitation loans and for mortgage money available to purchasers of old houses on terms comparable to those now available to purchasers of new houses.

BACKGROUND

The Exploration Team on Design Implementation was created by the Minister of Industry and Tourism to recommend specific actions to improve the contribution of design to the economy and environment of the Province of Ontario. The team was asked to pay particular attention to three factors which are vital to the province's future:

The increasing importance of quality rather than quantity in the 1970's,

Ontario's need to be able to have an industry which can compete effectively in its domestic and foreign markets, and

The need to provide employment for an unprecedented growth rate.

The Minister also suggested that this committee should not be bound by preconceived terms of reference but should approach its discussions and recommendations in a creative and intuitive way. We were asked not to do any primary research.

Design, in its broad definition, affects everything that is made or used by man. It is the creative and planning means by which we can produce the objects we use and the environment in which we live. It has dimensions of innovation, function, economy and human factors. Its efficient and proper use, whether in industry, service or environment leads to development and growth, better use of human resources and the potential of a better standard and quality of life.

However, design does not stand in isolation. By itself it can do nothing unless it is a part of the fabric of the way that people do things. It is also not a thing that alone can stimulate an economy or create employment unless all the many other important factors of economy and society are there.

We believe that design has an important role to play in Ontario's future and that the Government of Ontario must develop a program of design implementation which will create a universal acceptance in the province, by all sectors, of the importance of design in all its aspects. Its development and potential indicates the need for a major effort on the part of government to stimulate design acceptance and innovation.

APPENDIX 18 (CONT'D)

We believe, in all sincerity, that through design this province has an option, that foreign economic domination is not inevitable, that the opportunities for human and material growth are attainable and that the people of Ontario can meet these challenges.

Our primary concern has been to find meaningful ways in which design can be implemented, that is to have it become an accepted part of what we do in this province. We believe that it is important to look at design as a whole for one cannot succeed in promoting design in only one area successfully, for it is an attitude - a way of doing things. Consequently, we propose that the Government of Ontario must promote good design in all things and not only in the design of products.

All elements of our society are more efficient when there is competition and we do not believe that subsidies alone will bring about a new era for design in this province. Incentives in the form of assistance funds and grants can be considered only as a way of introducing design, but in the long run a conviction has to be created in users that good design should be an inherent factor in policy and practice.

The creative and innovative skills do exist in Ontario and they will rise to the challenge of opportunity. These capabilities no longer have to leave home to succeed. Ontario can become a world leader and centre for design. It can develop its own abilities and as a good place to live it can attract talent which seeks a good place to work.

The Importance of Design For Ontario

There are pressures on employment opportunities in Ontario brought about by a rapidly expanding working population and active competition from foreign manufacturing. Many areas of innovation and production are dominated by foreign influence; foreign-owned subsidiaries do little new development or innovation, relying on their parent companies. Access to export markets for many of our products is blocked by the production of goods which are design imitations. The development of large free trade trading blocks will affect our competitive position in finished goods exports. As the resource industries become more mechanized it will eliminate jobs and more pressure will be put on the secondary and services industries to provide employment. The import of finished goods has reached a maximum that could be allowed as the proportion of goods bought in Ontario and the only reasonable goal is to make more of the things that we buy. It is becoming increasingly more difficult for Ontario industry to maintain its exports and for Ontario-owned secondary industry to maintain itself in the domestic Canadian markets. Employment opportunities are created by enterprises responding to a demand for their products and services, not merely by non-Ontario firms establishing subsidiaries or distributors in Ontario.

THE FILM INDUSTRY

IN ONTARIO

A Brief

Submitted to

ONTARIO MINISTRY OF INDUSTRY AND TOURISM

by

John F. Bassett

On Behalf of

The Exploration Team On Film Industry

January, 1973

INTRODUCTION

The Ontario Government Exploration Team on Film Industry was established with the broad purpose of offering recommendations to the Minister of Industry and Tourism on how the private film sector and the Province of Ontario might jointly benefit through co-operative planning and programs for the film industry.

During the past six months, a multiplicity of information has been gathered and culled. The members of the exploration team have submitted letters, briefs and documents. Interested parties such as the Association of Motion Picture Producers and Laboratories of Canada (AMPPLC), the Ontario Film Institute and the Toronto Filmmakers' Co-op, have submitted briefs as well as having given of their time for discussion of the subject. Local producers and film processors have also presented documents relevant to their areas of involvement. Published materials were gathered and inserted in the overall study file. In addition, the Canadian Film Development Corporation was studied along with the film programs in other countries (West and East) to determine the most judicious interrelationship between Provincial and Federal programs.

This report is a summary and distillation of the diverse information which was gathered in the course of the exploration. Specific pieces are appended, though not included in the main body of the report. Some of the information is a matter of record and while reference is made, the documents are not appended.

In sum, this study has taken the broad area of exploration as noted above, scrutinized specific considerations and has arrived at the following conclusions and recommendations.

CONCLUSIONS

It is absolutely without question that film is important to Canada's cultural identity. Most countries in the Western and Eastern hemispheres (for example, England, Italy, France, Ireland, Poland, Russia) are involved in their film industries. Much of the information gathered in this exploration emphasized the cultural aspect of film.

This committee is more concerned about the importance of film and the film industry to Ontario. We see film as important to Ontario as a medium of expression. The term "expression" is being used in a broad sense: first, in an artistic sense; second, in a sense of reflecting scenic attributes; third, in a sense of stimulating the economy for those craft industries involved in film.

The artistic importance of film to Ontario is founded on providing the people of the province with creative expressions of the Province's identity which are both entertaining and instructive. The importance of film to Ontario in a sense of reflecting scenic attributes is of obvious value to tourism in the Province as film locations are exported to other countries and to a range of Canadian cities. Of prime importance to Ontario is the economic value of film. The provincial economy would benefit from employment among the craft industries and from the use of available laboratory processing and other facilities.

The prime focal point of this discussion and these conclusions is the feature film industry and the people involved in the production of feature film for public viewing. Although the documentary, trade and advertising film segments of the industry cannot be overlooked, it is the feeling of the committee that the greatest benefits would accrue to the private film sector and the Province of Ontario through planning and programs directed toward feature film.

Regarding the feature film industry in Ontario, this exploration team accepts and agrees with a number of the premises put forward by the Toronto Filmmakers' Co-op.

We accept without question that feature film is an integral part of Canada's cultural identity. We say, therefore, that it is logical that we make the feature film in Canada as Canadian as possible. We face a present situation in which well over 90% of the feature films shown in Canadian threatres are non-Canadian. If Quebec were excluded, the percentage would be even greater. In sum, Canada is a ripe target for feature film distributors from other countries to walk in and harvest dollars without any requirements for reforestation.

In the electronic media Canada has not sat idle. The Canadian Radio-Television Commission has made prodigious efforts in ensuring that Canadian creativity and technique be represented in television and radio. There is an implicit difference between

television/radio and feature film. The electronic media operate as trustees of a public asset; the feature film industry operates as a high-risk private enterprise, marketing products which hopefully will gain acceptance among sizeable segments of the public. Despite the operational differences, there is a philosophical similarity between the electronic media and feature film in Canada. Both require exposure of Canadian productions to Canadian audiences if their respective industries are to be viable in Canada.

The objective is to create Canadian audiences for Canadian productions. The CRTC has legislated exposure of Canadian productions in television and radio with a view to creating an audience.

A national program for feature film on theatre exposure of Canadian productions appears unwieldy, as imposition of a quota is a provincial jurisdiction. Therefore, certain steps should be taken by Queen's Park to encourage the showing of Canadian, and more importantly, of Ontario-made feature films. As Ontario is far and away the largest individual provincial market for exhibitors, it is reasonable to assume its philosophical lead will be followed across the country.

It is the chairman's conclusion that a quota system combined with a bonus incentive program for Ontario theatres would develop audiences for Ontario-made feature films and significantly increase the inflow of dollars into the Ontario film industry to the benefit of all associated with feature film production.

It should be noted that a quota and bonus incentive program is not proposed to create a feature film industry in Ontario where none exists. Examination shows that feature films are being made in Ontario at an ever-increasing rate. In the past three months, six major films for international release were produced in Toronto -- as many as any other centre in the world.

One Ontario processing laboratory -- Bellevue Pathé -- has handled 34 original productions in their facilities since they started into colour in 1966. Another, Film House, lists 26 productions from their facilities over the past few years. The basic feature film industry exists -- it is audiences that need to be nurtured through theatrical exposure. The optimum method of accomplishing this is to establish a quota system for theatres and to rebate to the theatre a portion of the provincial tax levied on each ticket as an incentive for playing and promoting Ontario-made and Canadian feature films.

The concept of a tax rebate to encourage Canadian production is not unique. The legitimate theatre is exempt from the 10% entertainment tax for local Canadian productions. The concept of a tax exemption or rebate is more valid for film than for legitimate theatre. A production such as "Hair" would have been staged in Toronto with or without a tax exemption -- the producers made an assessment of the market potential of the product in Toronto in making their decision. Other producers in other cities made similar assessments of their individual markets.

For feature film, the producers assess the national and international viability of production and proceed to make one essential product in one location. The tax rebate is highly logical for feature film as an incentive to attract production to Ontario as opposed to an alternate location. Moreover, an incentive program that was successful in attracting feature film production to Ontario could result in significant 'fresh monies being funnelled into the provincial economy.

It would be necessary to establish an Ontario Government Film Office to administer a quota/bonus incentive system, to deal with a range of film-related problems and to serve as a liaison agency with the CFDC and Secretary of State. An Ontario Film Office would have to establish guidelines to determine what creative, financial and technical mix constitutes a Canadian Film. Within any film quota system, adjustments will have to be made (e.g. a single theatre versus multiple auditorium theatres) and dispensations will have to be granted (e.g. for a theatre with a long-term run of one feature film). The quota system will have to be reviewed by the Ontario Film Office every two years for review and adjustment of the quota percentages on an overall and individual basis.

Obviously, loopholes will exist in a quota system. There could possibly be insertion of Canadian productions in traditionally bad playing times; a proliferation of cheap sex films made in Canada; the re-running of old, classic successes, rather than new films. Factors such as these will have to be evaluated after 24 months to see if more stringent regulations are necessary.

This committee agrees with the Toronto Filmmakers' Co-op that some of the effects of the quota would be:

(a) to ensure that the best Canadian films be booked into the small, one and two theatre towns where they are now missed

(b) to encourage exhibitors to take a stronger interest in both the production and promotion of Canadian "suitable product" to meet the quota

(c) to permit Canadian films to compete for the first time on an equal basis with inferior American films which have the present advantage of the Hollywood tie-on system (meaning that they are not in themselves economically justifiable, but are booked in return for rights to the larger grossing films)

(d) to force the exhibitors to test the profitability of Canadian films in the marketplace rather than the private screening rooms where they are subject to the prejudices of too many years of experience.

The Ontario Film Institute should be expanded and incorporated into the Ontario Film Office so that a number of cities across the province may have their own programs and membership while at the same time being able to draw on the library of data of the central office. This expansion is outlined in a report to the committee by Mr. Gerald Pratley and will be appended along with the other reports when the full committee submission is delivered.

It is our belief, however, that despite its good works and appreciation of the history and development of film as an art, the Ontario Film Institute should be stressing to a far greater degree the industry within this country.

This committee does not believe that any film produced for distribution should be censored or cut but that it should be classified as to audience suitability. This whole area of classification and the administration of the Theatre Act should also come under the Ontario Film Office.

This committee recommends that the functions currently performed by the Ontario Theatres Branch be assigned to the Ontario Film Office in the following manner:

Censorship of films in Ontario should be abolished and replaced by a system of classifications, dividing films into the following categories:

(a) General

(b) Parental Guidance Advised

(c) Restricted to Persons 18 Years of Age and Over

(d) X

There have, from time to time, in other Provinces been prosecutions at the municipal level under the Criminal Code of films approved by the Provincial Censorship Board. It is recommended that the classifications in the three first categories carries with it (as has been in the past customary in this province) an immunity against prosecution under the Criminal Code.

The addition of the "X" classification should serve as a specific warning to distributors and exhibitors that in the opinion of the Ontario Film Office, this film might be subject to prosecution under the Criminal Code. It is further recommended that such prosecution should be started only with the consent of the Attorney General of the Province. This solves the problem of determining where vulgarity ends and obscenity starts before the forum where it belongs, namely the courts of the country. Experience in the United States and other Provinces of Canada suggests that prosecution has frequently been commenced in an incompetent fashion and resulted only in additional publicity for the film prosecuted and added revenue to the distributor.

This committee recommends that all exhibition to the public of film of all gauges as well as of video tape be classified by the Ontario Film Office.

Another function of the Ontario Theatres Branch is that of setting standards for theatres and, on a regular basis, inspecting same. This aspect of the duties of the Ontario Theatres Branch has been carried out with commendable efficiency and has, in fact, resulted in Ontario theatres having attained a standard of safety and technical excellence unsurpassed anywhere in the world. This committee recommends that the licensing and inspection of theatres be extended to include places of exhibition to the public of film in all gauges and of video tape.

The final area of activity of the Ontario Theatres Branch is that of licensing projectionists. The licensing of projectionists was originally introduced at a time when highly flammable film printed on nitrate stock was in use throughout the Province and the examination of the projectionists was again a commendable effort to protect the public against the possibility of a fire or explosion in a projection booth. The use of nitrate film became illegal in 1956 and this committee recommends that licensing of projectionists be abolished as no longer serving a useful purpose.

The Ontario Film Office should determine the best method of "showcasing" Canadian films through film festivals. There are many reasons for Ontario to now concern itself with a major film festival and these reasons form the appendix that will be attached to the main report provided by Dr. J.H. Walters who undertook the study of this subject.

There is a difference of opinion among the committee as to where such an international film festival should be held. One view is that it should remain in Stratford with the necessary additional funding of $30,000. Other committee members feel that Toronto is the best location. The authority for the final decision should rest with the Ontario Film Office.

One final note which we recommend strongly in regard to a film festival is that the Canadian Film Awards be tied in as a culmination of this festival so that a permanent place and date become important and established to all those within and without the industry such that a strong media push can be developed. It is our belief that the National Awards Committee might be interested in this as they have continuing problems in financing.

The Ontario Film Office should make positive steps in the education of filmmakers on behalf of the Ontario film industry. An Ontario Film School should be established to provide specialized, focused instruction on film aimed at turning out graduates with a sophisticated knowledge of film production and techniques. This Film School might be affiliated with a university or community college. Entrance requirements should be strict and enrollment limited to one hundred and fifty students in total. Scholarships and grants should be made available. Industry involvement with such a course of study should be extensive in order that highly employable graduates are available to the Ontario film industry.

The tremendous increase in the number of high school and college students involved in some aspect of the study of film should be encouraged, and the Ontario Film School would not be set up to discourage existing courses, but rather to provide a one-location, concentrated study for those chosen students dedicated to film as an avocation -- similar to the National Theatre School or the National Ballet School, although the starting age for students in the Ontario Film School should be significantly higher.

Finally, it is the view of this committee that the Ontario Government ought to establish a set amount of dollars per year to be allocated by the Ontario Film Office to script development and the pre-production work necessary to initiate a feature production.

The Canadian Film Development Corporation is largely responsible for the emergence of the Canadian industry on the feature level, and is available to help fund productions, but only after a script and a package have been presented. Unfortunately, it is just not possible for many of the talented people in the field to financially get to the point where the CFDC requirements begin. Consequently, the Ontario Film Office should fill this void by screening and evaluating writers and directors and their ideas and eventually allocate pre-production monies to the extent of $250,000 per year, with an upper limit of $12,500 per applicant.

Time limits and budget limits on the grants would be instituted as well and the scripts would become the property of the Ontario Film Office if the work developed was not turned into a film within a set period. For those scripts that are turned into features, the monies allocated would be returned as part of the budget of the film and an equity position in the film would also be taken, similar to the CFDC.

Recommendations

It is recommended that the Ministry of Industry and Tourism consider the following on behalf of the Ontario film industry:

(1) Establish an Ontario Film Office with overall responsibility for the industry and its administration, encouragement, classifications, and directions.

(2) Implement a quota system whereby every theatre in Ontario would be required to exhibit eight weeks of Canadian feature films over a two year period. In the case of multiple auditorium theatres, 7.7% of total seating capacity should be devoted to Canadian feature films over a two year period.

(3) As an incentive to theatre exposure of Canadian feature films, offer a bonus incentive based on the 10% provincial tax on each admission. For Canadian feature films, the theatre should receive a direct rebate of 5% on each admission or one-half the 10% tax. For feature films made in Ontario, the producer should receive a direct rebate of 5% of each admission or one-half the 10% tax. The rebate to the producer is to encourage feature film production in Ontario.

Where a Canadian production is made outside Ontario, the 5% producer rebate will revert to the Ontario Film Office as additional operating capital.

(4) The Ontario Film Office should assume the functions and responsibilities presently executed by the Ontario Theatres Branch.

(5) Develop through the Ontario Film Office, a major international film festival incorporating the Canadian Film Awards.

(6) Support a single Ontario Film School being a trade school of the highest standards and of limited enrolment using scholarships and grants to attract top-calibre graduates into the Ontario film industry. The lecturers would be people with professional practical experience who ultimately might draw upon students as assistants.

(7) Establish a script development and pre-production fund of $250,000 per year to be administered by the Ontario Film Office.

(8) The Ontario Development Corporation should be encouraged to support the "hardware" (e.g. laboratories, lighting, cameras and sound, et cetera) essential to the Ontario Film industry.

(9) The Ontario Department of Education and such subsidiaries as OISE and OECA should be encouraged to commission and distribute Canadian produced films and other audio-visual productions as against the importation of those films which are, to a large degree, now being produced for Canadian consumption by American firms.

(10) Films should be categorized as general, parental guidance advised, restricted to persons 18 years and over, or X. The last category could be subject to prosecution under the Criminal Code by the Ministry of Justice if that Department saw fit. The Ontario Film Office would not only categorize films, but also video-tape.

(11) The licensing of film projectionists is no longer a necessity and should be abolished.

(12) The Ontario Government should recommend to the Federal Government that the withholding tax in respect to American pictures be increased to 15 per cent and the additional 5 per cent be distributed into the Canadian Film Industry. At the moment, the American withholding tax in respect to Canadian pictures is 15 per cent and we see no justifiable reason these international rates should differ.

REPORT TO THE

MINISTER OF INDUSTRY & TOURISM

FROM THE

EXPLORATION TEAM ON SERVICE INDUSTRIES

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May 1973

Final Report

SERVICE INDUSTRIES EXPLORATION TEAM

LIST OF RECOMMENDATIONS

1. Purchasing Policy: Government should insist on specified Canadian content in all its purchases. Government should "Privatize" or "Contract Out" certain portion of its services where possible. Joint ventures between public sector and private corporations might facilitate this approach. — Appendix "A"

2. Government should adopt sound policies and programs to develop a strong Ontario owned and based computer service industry with export potential. Establish Ministry staff to carry this out. Also appoint Government-Industry Advisory Board. — Appendix "B"

3. Government should assist development of Management Consulting Profession in Ontario leading to export success, by adopting sound policies and programs. — Appendix "C"

4. Government should encourage exploitation of export opportunities in Broadcast and Film Communications Industries by providing staff and financial assistance and by working with Industry Associations. — Appendix "D"

5. Government should undertake a survey to determine whether or not it would be practical and/or advantageous to charge foreign students the full real costs of their post-secondary education. — Appendix "E"

6. Government should investigate the possibility of exporting post-secondary institutions or expertise to certain selected areas such as the Middle East, Hong Kong and South America, either through existing Crown Agencies, private enterprise, or a specially developed mixed agency.

7. Government should encourage availability of capital through Banks or Government resources to develop exports of manufacturing and service industries. — Appendix "F"

8. Government should appoint special committee on export of Canadian products; membership to be selected from Industry.

9. Government should assist smaller Service Industries by (1) advising them of existing Provincial Government services, (2) helping sponsor business management courses on T.V. (3) establishing an Ontario Government equivalent of the Small Business Investment Corporation in the U.S.A. and (4) forming a Small Business Advisory Council to assist in the above recommendations. Appendix "G"

10. Government, particularly through O.D.C. should expand its ways of financially assisting small and medium Ontario companies to export. Appendix "H"

11. Government should sponsor a series of local seminars on exporting.

12. (a) Government should establish Financial Task Force to study Investment Industry in Ontario, with particular emphasis on possibility of Toronto emerging as major international financial centre. Task Force Membership from Government, Financial Community and Universities.

    (b) Government should appoint financial specialists to Ontario Foreign Offices.

THE EXPLORATION TEAM ON SERVICE INDUSTRIES
REPORT TO THE MINISTER

INTRODUCTION

The Service Industries, including the public services have been the most rapidly expanding employment sector in Canada. Of the nearly two million new jobs developed in Canada in the decade of the 1960's, over 85% were in the service industries and half of these were in the public sector.

Canada's labour force continues to grow rapidly while our manufacturing industries face increasing competition, both at home and abroad. In particular, the manufacturing industries of the United States, Japan and the Common market are growing to be potent job competitors for Canadian companies. Almost as significant are the Canadian taxpayer objections to the rising bill for the public services that mean a major resistance to further substantial growth in employment in the public sector of the service industry.

It is therefore imperative that the commercial sectors of our service industries continue to develop rapidly to provide some of the necessary job opportunities for our growing labour force. This development can be with three objectives in mind:

1. To better serve Canadian needs
2. To exploit service export opportunities
3. To facilitate the exports of manufactured goods.

It should also be kept in mind that to the extent that it is possible to measure productivity improvements, it appears that the service industry in general, and the public service sector in particular, have lagged behind manufacturing in achieving productivity gains. While, as a consequence, general criticisms of efficiency in the public service are not necessarily warranted, this factor does support an argument for transferring to the private sector some functions now being done by employees in the public sector. This observation also indicates that attempts must be made to improve efficiency in the service sector, to both support a rising standard of living in Canada and to facilitate competitive exporting.

In the following summary we suggest the three general methods of approach to the service industry that we believe should be followed. Then in some of the Appendices we detail how this general approach should be applied in some individual service sectors.

SUMMARY OF RECOMMENDATIONS

Privatizing

The primary conclusion reached by our group as to how the Ontario Government can best stimulate service industry development in general, and the export activities of the service industry in particular, is to "privatize" some major functions of the public service industry. By "privatize" we mean that the government should either sub-contract to private industry some functions it is now performing "in house", or the government should spin off all or part of some functions into private companies.

It is estimated that the total payroll of the Ontario Provincial Government and its Commissions aggregated almost $800 million in the 1971/72 fiscal year. If even a small proportion of this payroll is "privatized" it could have a significant impact on the private sectors concerned.

Prime areas to be considered for privatizing are those we have identified as having some export potential - - computer services, management and technical consulting, education and informational film and television program production.

The reasons for "privatizing" can perhaps be best summed up as follows:

1) To facilitate the development of export markets - for special services existing in the public sector. A government department may not be able to organize for export as readily as a private concern. Therefore the government developed service can best be exploited internationally by a private Ontario company.

2) To enable private Ontario concerns that are in the business of providing the particular service to grow by making the government a customer rather than a competitor. With the resulting larger economic base, the private concern should be better able to organize for, and to compete in, export markets.

3) To stimulate productivity improvements through improved efficiency. A private concern competing for government business should often be able to perform more efficiently than the "in house" government operation.

Encouraging and Funding of Investigative and Promotional Efforts.

Our second proposal is that the Department should become even more aggresively involved in researching, stimulating and working with export capable service industries. As an extension of our first proposal, we believe as much as possible of the actual work should be done by private companies and their industry associations. The government role should be the initial identification of some of the opportunities and the private sector companies or groups that can be encouraged to act.

The Department should then offer to participate in the funding of investigative and promotional efforts. They could also provide information from their own sources and some assistance by their own staff. Just as the Department is involved in forgiveable loans to manufacturing companies and some service industries, so should they extend such assistance to other service industries - - except the funds would not be in support of "hard" assets such as machinery but rather "soft" human capital and know-how. Financial support for investigation and promotion is very important as a necessary stimulus to the private sector to act. Without such a financial push to either overcome the traditional inertia that exists, or to encourage a few individuals who are interested in pursuing an export effort, it is unlikely that the available opportunities will be exploited. If a successful export effort evolves, then all or a portion of the funds advanced could be repaid. If the investigation and promotion has marginal results, then the loan should be forgiven. What is important is to encourage the

private companies and associations to aggressively search out and pursue export opportunities. This "encouragement" has to be both physical in providing ideas and pushing for action, and monetary in providing financial assistance to do the necessary initial follow up - - so budget considerations don't frustrate an export initiative before it gets fully developed.

Again the key sectors for applying this approach are the computer service, management and technical consulting, education and informational TV and film production areas.

Developing Financial Capacity to Assist Exports, Goods & Services

Our third proposal concerns service industry assistance to manufacturing exports as well as to developing the export potential for services. The service sector involved is the financial community and the strengths to be exploited are the relatively well-developed financial institutions located in Ontario. The objective is to encourage the further growth of Toronto as an international financial centre - - much as London developed as a financial center and as a consequence stimulated and assisted the growth of British trade.

While Canadian financial institutions are still developing and are not as sophisticated as their American counterparts, they are substantial in size and are already operating internationally. Further, the nucleous of industry associations exist in varying degrees for most of the various financial institutions and such associations could be stimulated to work with government in developing the necessary techniques and organizations.

Thus the approach outlined in the second proposal should be applied to encourage the various financial associations to study themselves and their strengths and to appraise their export opportunities and how they can assist

others to export. They thus should be asked to suggest means by which they can utilize their international operations to facilitate and finance Ontario manufacturing and service exports.

CONCLUSION

In our proposals, and in the following Appendices to this Report, we discuss only a limited number of specific service industries as appearing to have the capacity to either become exporters themselves or to assist other Ontario exporters. While we believe further detailed examination would reveal other specific service industries with the same useful characteristics as those specified, we do not believe that it would be useful to approach the service sector in the same overall aggregative approach that is often employed to stimulate the manufacturing sector. Some service industries clearly will be locally owned and operated businesses only, and do not by their very nature become involved in export - or if the senior management did look to an export market they would have to move to the country concerned to properly look after the situation. Other sectors of the service industry are so fragmented and the possibilities of stimulating a meaningful Association are so negligible that Government efforts are better directed elsewhere. Thus our emphasis on a few key sectors and the techniques that we think would prove most useful in achieving results in those sectors. If positive results are not obtainable in such industries with the procedures proposed, then it is most unlikely that it would be possible to accomplish anything at all in any other service industries.

In the following pages, more detailed comments are made concerning individual service sectors for the general proposals made above. We have endeavored to keep this report relatively short. However, if you or your Department desire explanation or amplification of any of the points raised, we will be most pleased to provide same. As our comments are based on our general experience and

discussions and are not the result of detailed and exhaustive research into any of the particular aspects discussed, your staff might well desire a follow up meeting later in the year after they have had an opportunity to decide on a detailed plan of approach for implementing whichever of our recommendations you find to be of interest.

We all most appreciated the opportunity of working together and of discussing these issues in an attempt to be of some use to you and your Department. We commend you on your initiative in endeavoring to establish the many exploration teams in an attempt to obtain some meaningful input from the business community. Our only hope is that we have justified your confidence in choosing us to form one of these teams.

APPENDIX "A"

PRIVATIZATION & CONTRACTING OUT i.e. THE MAKE OR BUY THESIS

RECOMMENDATION 1

PURCHASING POWER: GOVERNMENT SHOULD INSIST ON SPECIFIED CANADIAN CONTENT IN ALL ITS PURCHASES. GOVERNMENT SHOULD "PRIVATIZE" OR"CONTRACT OUT" CERTAIN PORTION OF ITS SERVICES WHERE POSSIBLE. JOINT VENTURES BETWEEN PUBLIC SECTOR AND PRIVATE CORPORATIONS MIGHT FACILITATE THIS APPROACH.

Introduction:

In a number of discussions, the Exploration Team found itself in a position of recommending the use of Government purchasing power to stimulate the private sector and in addition, recommending that certain parts of the public sector be shifted to the private sector.

Estimates of cost benefits by Civil servants relating to do-it-yourself rather than contracting out often do not give sufficient weight to other overheads of Government and there is certainly no weight given to the development of skills which might be exportable and the fact that a continuous process of giving work to private firms which allows them to earn profits puts them in a position to undertake export development. In other words, it puts sinews and fat on the bones of companies which allow them to develop and diversify.

The next two submissions attached to this introduction cover in good measure certain sectors of this argument.

(1) in the area of management consulting, and

(2) in the area of computers

both deal with the problem mentioned above and make some other suggestions which are valuable.

A few other comments might be appropriate:

Part of Task Force Hydro is at the moment looking at "make or buy" within Hydro and indeed one sector of the Hydro operations provides an interesting illustration of what could be done, since, contracting out is not an easy thing to do particularly if the skills are really those of specific individuals which is very often the case in a service business.

Let us take the example of nuclear energy and the skills surrounding the Candu reactor. These skills are contained in a team of individuals which consist partly of Hydro Engineers and partly of A.E.C.I. Engineers.

How then does one make the team available to the private sector. The team should be held together but a joint venture could be formed between the team in the public sector and a private corporation. Alternatively, a corporation could be set up which could be partially owned by the Ontario Government and the driving force for exports could come from the private sector.

No special paper on engineering services has been submitted since the recommendations would be very similar to those in the attached papers. The Department of Transport as well as Ontario Hydro and other Government Departments have considerable quantitites of engineering studies done which might well be contracted out.

Mr. Sutherland in his paper on education gives another example where skills can be transferred from the public sector to the private sector and exports developed.

Who knows what skills we might have available in medical sciences, mental health care, child care and so forth where this joint venture approach might produce exportable skills which could accrue to the benefit of the economy of Ontario.

A final word on purchasing policies. There should be strong rules within the Ontario Government that there should be a specified Canadian content to all purchases. Too many pieces of hospital equipment and other equipment in schools and departments are provided from other countries.

APPENDIX "B" - COMPUTER SERVICES

RECOMMENDATION 2

GOVERNMENT SHOULD ADOPT SOUND POLICIES AND PROGRAMS TO DEVELOP A STRONG ONTARIO OWNED AND BASED COMPUTER SERVICE INDUSTRY WITH EXPORT POTENTIAL. ESTABLISH MINISTRY STAFF TO CARRY THIS OUT. ALSO APPOINT GOVERNMENT-INDUSTRY ADVISORY BOARD.

This memorandum discusses the following aspects of the computer service industry.

- Importance
- Poor Outlook
- Potentially Good Future
- Requirement for Concerted Government Action

Importance

The computer services industry is one of the most important industries deserving of Government support for the following reasons:

1. The industry is very important for controlling many economic and social aspects of the nation and indeed has control characteristics which make it similar in importance to financial institutions and communications industries.

2. The industry is still developing many new products and services providing opportunities for new and expanding companies.

3. The industry has significant size now, (approximately $1 billion in Canada) and is growing rapidly at an estimated rate of 15 to 20 percent annually and such growth is expected to continue for a considerable future period. An earlier Ontario study projects an increase of the total industry to $4 billion by 1975.

4. A considerable part of the industry is still owned in Ontario, most of it in the form of small to medium sized companies.

5. The main resource of this industry is a good supply of educated manpower. Due to the educational policies of the Ontario Government during the 50's and 60's such a manpower pool is readily available.

6. Many studies have been made showing the great importance of a strong Canadian participation in the computer services industry.

Outlook

The outlook for an unaided Ontario computer service industry is not good. The same factors which have lead to the dominance of much of our manufacturing and technologial industries by foreign companies are at work and are likely to lead to dominance of the computer services industry by foreign companies. At the present time foreign controlled companies while numerically a minority of computer service companies obtain the majority of the data processing work in Canada and are able to perform this at a profit. On the other hand the numerical majority of computer services companies in Canada which are Canadian owned are doing a minority of the work and are doing this at a loss.

The prime reason for this situation is the much larger market for computer services in the United States within which U.S. companies have been able to develop. They have been able to develop much technical, managerial and marketing know how within this larger market and are then able to establish branches through which American developments can be provided at lower costs than equivalent Canadian companies can provide. The huge American defence, space and other Governmental markets have been a major factor in the development of many of the largest and technologically most advanced computer service companies in the United States.

Good Future Potential

Despite the dismal picture presented above, the volume and number of opportunities in the computer services are such that a strong computer services industry can be developed in Ontario if a sufficiently attractive environment is provided. There is an adequate amount of trained and able brain power available and there are a number of demonstrated successes in Ontario. Government action compensating for the unequal market situations confronting the Ontario services company as compared to its U.S. counterpart is, however, required if a healthy and viable computer services industry is to be developed.

Government Action

It is recommended that the following Government actions be considered for early implementation.

1. Policy

The Ontario Government should adopt a positive policy towards the development of a strong Ontario owned and Ontario based computer services industry and enlist all methods available towards this end.

2. Direct Purchase

The most important factor which the Ontario Government can use to stimulate the computer service industry is to use its own purchasing needs to buy services from this industry.

3. Incentives For Other Organizations

The Ontario Government directly and indirectly pays a large share of the cost of municipalities, the education system, the welfare system, the health system, transportation, public works etc. All of these sectors provide a potentially sizeable market for the computer services industry. It is recommended that the Ontario Government include incentives in all programs which are partly or wholly financed by the Ontario Government for the purchase of computer services by these lower level public service organizations.

4. Coordination With The Federal Government

The Federal Government also has made a number of studies all of which recommend the development of a healthy computer industry in Canada. The Ontario Government should influence Federal policy yet to be adopted to be mutually reinforcing with Ontario policy.

5. Purchases By Industry

Ontario industry also can provide a large market for the computer services industry. The Ontario Government should consider tax incentives, sharing of development costs, and other programs as incentives for Ontario industry to use the services of Ontario computer services companies and thus lead to the development of stronger product lines than can otherwise be developed.

6. Marketing

Most Ontario computer services companies are now too small to market their services effectively abroad, particularly in the United States. As the steps recommended above are implemented it can be expected that a number of companies will develop strong enough products, financial base, and organization to actively enter the export market. Export incentives for the computer services industry should be considered.

7. Administrative Unit

The implementation of the previous recommendations requires an organization with the responsibility of ensuring the growth of a healthy computer services industry. The Ontario Government should consider the setting up of a small group in the Ministry of Trade which would have the objective of formulating policies, proposals, action programs, towards the development of a healthy computer services industry and which would periodically review whether the program was being properly implemented.

A mixed Government Industry Advisory Board should be formed to

- provide advice on specific purchasing, programming, incentive and other policies

- to review areas of Government, Public Institutions and Industrial Activity which can provide a market for fostering the growth of the computer services industry

- to aid in setting up an action program to implement policies for fostering a computer services industry

- to review the progress of this program and recommend changes

This Board should consider the formulation of 2 and 5 year goals for an Ontario computer industry. If this policy is successful the Government may feel it can safely discontinue this organization after a strong and stable Ontario computer industry, well able to fend for itself, has developed.

APPENDIX "C"

MANAGEMENT CONSULTING SERVICES

RECOMMENDATION 3

GOVERNMENT SHOULD ASSIST DEVELOPMENT OF MANAGEMENT CONSULTING PROFESSION IN ONTARIO LEADING TO EXPORT SUCCESS, BY ADOPTING SOUND POLICIES AND PROGRAMS.

A DEFINITION

1. It is difficult to define the scope of the management consulting profession in Ontario. This is because it is not a "closed profession" in that membership is not controlled by statute, nor are the activities of management consultants regulated by a single recognized authority as is the case in Medicine, the Law and Accounting. Moreover, there is no single academic qualification or body of knowledge required to be mastered by a management consultant. Management consulting activities in Ontario range from highly professional, qualified specialists operating strictly on a fee basis to executives between jobs and business brokers who choose to identify themselves as management consultants.

2. The Institute of Management Consultants of Ontario incorporated under a Province of Ontario Charter dated August 10, 1966, best represents the professional consultant. The Institute provides the following definitions of management consulting and management consultant.

3. "The term"management consulting" shall include the service performed by independent and professionally qualified management consultants in investigating and identifying management problems related to the policy, organizational, administrative and technical aspects of the principal institutions of our society, in recommending appropriate solutions to these problems and helping to implement them;

4. "The term "management consultant" shall include a person qualified by background and experience, whose principal activity is the practice of management consulting as defined, who arrives at his recommendations through systematic analysis of facts and the application of objective judgment based on specialized knowledge and skill with due regard for and understanding of inherent human relations. He is required to have experience and proficiency in at least one of the following areas of business management, viz: Production, Marketing, Personnel, Finance and Control and General Management."

IMPORTANCE OF THE PROFESSION

5. It is estimated that the thirteen member firms of the Canadian Association of Management Consultants will bill $25 million in fees in 1972. Although Associati members comprise the larger firms, they represent only a fraction of the total profession in Canada. It is difficult to measure the size of the total professio due to problems of definition as described above and because there are no published statistics.

6. Excluding placement agencies, manpower overload (Office Overload) services and the commercial services offered by computer service firms (e.g. computer rental charges, time sharing services, communication services and contract programming) but including professional or quasi professional services related to the computer (e.g. software development, problem solving and computer applications services, project management services and systems design), the size of the management consulting profession in Canada is roughly estimated to be of the order of $60 million to $80 million per year. Based on C.A.M.C. statistics about one-half the total market is in Ontario; thus, Ontario management consultants probably bill of the order of $30 million to $40 million per year in fees.

STRENGTHS AND WEAKNESSES

7. The major strengths and weaknesses of the management consulting profession in Ontario may be summarized as follows.

Strengths

- Steady growth in size and profitability during the past ten years.
- A reasonably mature profession with established clientele.
- A professional reputation (practitioners are generally regarded as ethical, qualified and responsible. In this respect Canadian consultants probably enjoy an advantage over their American counterparts).
- The profession has attracted and held high calibre personnel.
- Strong support from the federal government, which has instituted policies favouring the employment of Canadian based consultants.
- A growing awareness on the part of clients of the need to patronize Canadian services.

Weaknesses

- Recent economic setbacks in 1970-1971 accompanied by staff reductions and no increase in billings.
- Little protection from foreign competition (it is much easier for most foreign consultants to undertake assignments in Canada than it is for Canadian based consultants to work abroad).
- The choice of a consultant by a Canadian client who is a subsidiary of a foreign firm is often dictated by the parent organization, leading to the appointment of a foreign consultant. Canadians are not given a chance to submit a proposal.
- Traditional attitudes of Canadians tend to downgrade the talent available in Canada with the apparent presumption that the U.S.A. represents the "fountain of all knowledge".
- The growing dependence on computer related skills as the fastest growing and one of the largest elements of management consulting. These skills tend to emanate from the U.S.A. with its larger market, extensive computer hardware manufacturing companies and its technical, marketing and managerial skills.

- Technological obsolescence. The traditional services of the management consultant are being supplanted by new techniques. The development of these requires extensive resources and a substantial market to permit profitable exploitation.

OPPORTUNITIES

8. There are excellent opportunities for Canadian (Ontario) management consultants to work in foreign countries. Prime areas include:

a) The U.S.A.
- social, economic and political structures are similar
- proximity to Canada
- same language
- U.S. market no more competitive than our domestic market
- fee rates are competitive (ours are lower)

b) Caribbean
- language similarity
- a traditional Canadian sphere of influence
- economic ties
- reasonable proximity

Problems:
- high fee rates
- assignments can be in remote areas
- socially unpleasant

c) French speaking countries
- we have a French speaking capability
- our technical competence is higher than that available from any other francophone nation.

d) Underdeveloped Countries
- assignments are long and can be profitable
- there is a big technology gap; thus assignments may not be demanding technically and there is scope for significant client benefits.
- the work is satisfying to consultants wishing to contribute to developing countries.

Problems:
- assignments usually remote
- high fee rates
- health hazards

9. In recent years less than five percent of the billings of C.A.M.C. member firms relate to foreign work. The reasons for this poor performance include:

- many Canadian management consulting firms are members of international

organizations having policies which limit the Canadian firm to its domestic market or at least restrict foreign operations. Other Canadian firms may have associations with foreign consultants which similarly restrict the foreign operations of the Canadian firm. These international affiliations provide a valuable access to technological developments and specialized skills. They also can provide support from foreign associates in selling and carrying out domestic assignments. Nevertheless, the effect of such associations is to reduce the independence of Canadian organizations and limit their foreign operations.

- ignorance of foreign opportunities

- absence of foreign language skill

- difficulties in obtaining work permits or visas (particularly in the Caribbean and Latin American countries).

- immigration difficulties in the U.S.A. At times Canadian consultants have been harrassed by U. S. immigration officials who have attempted to block entrance to the U.S.A. even though legislation provides access to the American market for Canadian consultants undertaking professional assignments in that country. (in contrast, American consultants have little difficulty gaining access to Canadian markets).

- the economic risk in foreign jurisdictions is sometimes high.

10. - Consultants not affiliated with C.A.M.C. member firms are also subject to many of these restraints. They may not be restricted by membership in international organizations but, being small, probably lack the resources to undertake significant foreign work. It therefore seems reasonable to assume that Ontario based consultants earn only $1 million to $2 million per year in foreign billings.

11. To be successful in securing foreign work, Ontario based consultants must achieve and maintain a high level of technical competence. Domestic consulting assignments which extend the "state of the art" are the best way to acquire a technical competence that foreign clients will recognize. From a "state of the art" standpoint among the most challenging domestic assignments are those undertaken for government. Large assignments for government challenge and stimulate able consultants. On these jobs consultants feel that they are coming to grips with major social and economic problems which afford them the opportunity to make a meaningful contribution to society. Thus a sustained high level of domestic assignments for government is needed to enable the consulting profession to attract and hold the best talent in the country and to develop the technical competence required to secure foreign assignments.

12. Government should adopt policies requiring its ministries, departments and agencies to retain management consultants for studies which will advance the state-of-the-art and which requires a high level of technical competence (e.g. in computer applications; in studies related to the management of our institutions; in assignments related to major social Programs, such as the delivery of health care services).

13. When government finds that it requires skills not available in Canada and foreign firms must be involved, provision should be made for Canadian participation so that local firms will acquire the required technology. This can be done by requiring foreign firms to form consortia with Canadian consultants or by inviting Canadian firms to associate themselves with foreigners having the requisite skills.

14. There is an impressive array of technical skills to be found in government and in government agencies and institutions, including utilities, crown corporations, etc. For example, Ontario Hydro has one of the finest engineering design capabilities to be found anywhere. However, government departments, agencies and institutions are unlikely to have the motivation required to effectively develop foreign work. These organizations are not organized to sell and carry out foreign consulting assignments. Moreover, they are generally preoccupied with their own internal problems and do not have the time, inclination or resources to exploit opportunities abroad.

15. On the other hand, private firms of management consultants have, or could develop, the motivation to secure foreign work. The profit motive is an important ingredient in encouraging international expansion. Therefore, technology should be concentrated in the free enterprise sector of the economy to be effective in securing foreign assignments.

16. Government should foster the development of high technology in the private sector by policies which require the retention by government, its agencies, boards and commissions of private management consulting firms, rather than the development of equivalent skills within government.

17. In underdeveloped countries skills in implementation are vital to the successful completion of consulting assignments. Tangible results are only achieved by the client after recommendations have been implemented. Assignments in underdeveloped countries may not demand a high level of technical competence, but they are very demanding in terms of the human relations skills required for successful implementation. A similar argument can be made with respect to domestic assignments but sometimes greater reliance can be placed on client staff in implementing recommendations.

18. When government engages consultants, the terms of reference should stress implementation. This is particularly important for assignments in underdeveloped countries, but also valid on domestic work.

19. Training courses for foreign clients are an important potential source of business and frequently lead to significant consulting assignments. Such courses can be offered in Canada or can be held abroad on the client's premises or elsewhere. Courses designed for specific industries have proven to be particularly successful.

20. Consulting firms with specialized skills in a particular industry and a strong identification with that industry can attract foreign work with clients in that industry.

21. The award by government of domestic assignments which have potential for foreign application should incur an obligation on the part of the consulting firm receiving the work to achieve export success; a failure to do so should be considered a valid basis for witholding the award of subsequent domestic assignments to that firm, provided this condition is explained to the consulting firm beforehand.

SUMMARY OF RECOMMENDATIONS

22. Government should adopt policies requiring its ministries, departments and agencies to retain management consultants for studies which will advance the state-of-the-art and which require a high level of technical competence (e.g. in computer applications; in studies related to the management of our institutions; in assignments related to major social programs, such as the delivery of health care services).

23. When government finds that it requires skills not available in Canada and foreign firms must be involved, provision should be made for Canadian participation so that local firms will acquire the required technology. This can be done by requiring foreign firms to form consortia with Canadian consultants or by inviting Canadian firms to associate themselves with foreigners having the requisite skills.

24. Government should foster the development of high technology in the private sector by policies which require the retention by government, its agencies, boards and commissions of private management consulting firms, rather than the development of equivalent skills within government.

25. When government engages consultants, the terms of reference should stress implementation. This is particularly important for assignments in under-developed countries, but also valid on domestic work.

26. The award by government of domestic assignments which have potential for foreign application should incur an obligation on the part of the consulting firm receiving the work to achieve export success; a failure to do so should be considered a valid basis for witholding the award of subsequent domestic assignments to that firm, provided this condition is explained to the consulting firm beforehand.

27. None of these recommendations involve substantial cost to the government. They constitute recommendations with respect to policy and they can be initiated quickly. They will be effective in strengthening the management consulting profession in Ontario and will produce benefits in terms of greater self sufficiency, less dependence on foreign expertise, enhanced technical competence and expanded foreign billings.

APPENDIX "D"

BROADCAST AND FILM COMMUNICATIONS

RECOMMENDATION 4

GOVERNMENT SHOULD ENCOURAGE EXPLOITATION OF EXPORT OPPORTUNITIES IN BROADCAST AND FILM COMMUNICATIONS INDUSTRIES BY PROVIDING STAFF AND FINANCIAL ASSISTANCE AND BY WORKING WITH INDUSTRY ASSOCIATIONS.

The United States has a strongly established broadcast and film industry. Nevertheless they are a major potential market for both hardware and software in these industries as the anticipated dynamic growth of consumer demand in the United States is unlikely to be satisfied from purely domestic sources. Also, in some areas, Canada either has a lead in experience or has established a capability matching that of their American competitors. Examples are the relatively greater development of CATV in Canada and the high quality of our educational and information film production. These Canadian market strengths are even greater when the potential European demands are considered.

In the general broadcast area of building and operating TV and Radio stations, we have little competitive advantage in either the United States or Europe. In the case of underdeveloped nations we do have marketable knowledge, but this can probably only be utilized through foreign aid and this may not be an economic export.

An export market in film production is particularly important for Canada, as this industry can not thrive on domestic consumption alone. The potential Canadian sales of any product are often not sufficient to warrant the expenditure required. Thus, if a high quality of Canadian production is to be developed, much of the revenue must come from foreign distribution. As Canadians are making major efforts to develop production of educational, information and entertainment material for our own domestic market, it is only logical to attempt to meet some of the costs through exporting the product.

Governments in Canada, both Federal and Provincial, are already involved - directly and indirectly - in film production. The CBC, NFB, CFDC and OECA are all examples. It is therefore natural to look for further means by which the Ontario Government can assist in further development.

The broadcast and film part of the Canadian communications industry could increase their role as exporters in the following ways:

a) As professional consultants:
   - in advising on the establishing of TV or radio broadcasting stations (educational or commercial)
   - in establishing CATV systems

   Such consulting could be of a conceptual nature on the planning and development, of a technical nature on the design and construction, or on the operation of a station or system.

b) As manufacturers:
- of equipment for the station or for CATV systems
- of related consumer products (i.e. TV sets, convertors, etc.)

c) As distributors:
- of tapes and films (either educational, informational or purely entertainment)

d) As owners:
- of capital and management to establish enterprises abroad.

At the present time some export activity is taking place under each of the four classifications. Further export activity can be expected purely from the efforts of private and public enterprise. However, some Ontario Government assistance along the following lines could be expected to encourage and assist in the identification and exploitation of export opportunities:

a) Cooperating through staff and dollar assistance in market surveys and in developing plans to meet opportunities found- i.e. the manufacture and sale of CATV convertors, the production and sale of films, the provision of broadcasting consulting services. As CATV and Channel 19 are so well developed in Ontario perhaps some trade missions should be brought to Ontario rather than just sending Canadians abroad. Ontario House is exhibiting Channel 19 material, it should also be showing the work of independent producers. Other Ontario missions should be doing the same. When Channel 19 has special exhibits abroad, the private sector should participate as well for an Ontario exhibit.

b) Encouraging industry associations through staff and dollar assistance, to work on behalf of their members in developing such opportunities.

c) Encouraging the associations, or individual companies, to ask the Department for assistance in meeting any short term problems hampering the export situation - i.e. negotiations on tariff or other trade barriers, research assistance, plant location, perhaps even labor finding and training, participation in financial packaging etc.

d) Privatizing Government efforts to facilitate and encourage the development of Canadian operations concentrating on export sales. Thus a portion of all government and perhaps private network film productions (CBC as well as OECA) should be sub-contracted to independent producers. Distribution of CBC and OECA material should, if feasible, be handled through Canadian companies that will also distribute the work of such independents. The seconding of government employees to private industry for certain time periods should be investigated.

APPENDIX "E"

EXPORTING POST-SECONDARY EDUCATION

RECOMMENDATIONS

5. GOVERNMENT SHOULD UNDERTAKE A SURVEY TO DETERMINE WHETHER OR NOT IT WOULD BE PRACTICAL AND/OR ADVANTAGEOUS TO CHARGE FOREIGN STUDENTS THE FULL REAL COST OF THEIR POST-SECONDARY EDUCATION.

6. GOVERNMENT SHOULD INVESTIGATE THE POSSIBILITY OF EXPORTING POST-SECONDARY INSTITUTIONS OR EXPERTISE TO CERTAIN SELECTED AREAS SUCH AS THE MIDDLE EAST, HONG KONG, AND SOUTH AMERICA, EITHER THROUGH EXISTING CROWN AGENCIES, PRIVATE ENTERPRISE, OR A SPECIALLY DEVELOPED MIXED AGENCY.

INTRODUCTION

Although education is not usually thought of as a business or industry, it is - - with the exception of Government itself -- probably the largest single employer in the country. Moreover it provides a service for an enormous clientele.

Taking both these factors into consideration, a 1970 estimate by Statistics Canada showed one out of three Canadians was either a student, a teacher or an employee of the vast network of education ranging from nursery school to post-doctoral studies.

Constitutionally, education is the responsibility of Provincial Government; the Ministry of Colleges and Universities is the supervising agency for post-secondary institutions in Ontario.

It is not customary, however, for people inside or outside the Ministry of Colleges and Universities to assess post-secondary institutions as potential exporters of services. This preliminary review is therefore to be considered the beginnings of a strategy which might be followed up by the Ministry of Colleges and Universities on its own, or by that Ministry with the assistance of the Ministry of Industry and Tourism.

SURVEY

The most common method of exporting education is to import students. In the situations that come to mind most readily, however, the motive is not usually economic. Cultural and political nationalism probably accounts for the fact that countries like France, Britain, the U.S.S.R., China, and the U.S.A. actively recruit and subsidize foreign students. In the case of smaller countries, like Canada, one might hope that idealism has had a stronger role to play.

Yet even where the foreign student is not deliberately recruited -- i.e., by means of travel grants or free tuition, or living allowances, or all three -- his education is in fact subsidized through government grants to post-secondary institutions. In Ontario, such grants amount to between 80% and 90% of the real cost per student. It is therefore unlikely that the average foreign student spends as much money maintaining himself in Canada as the government spends on his education.

Importing students is currently, then, a losing proposition economically. Whether for a country like ours this should be the case is a moot point. Unlike France, we presumably have no cultural axe to grind; unlike China, the U.S.S.R. or the U.S.A., we presumably have no ideological axe to grind. Why don't we charge foreign students the real cost of their education, thus making their stay in the country a significant contribution to the economy -- academic tourists, so to speak?

When it was recently suggested that graduate fellowships (i.e., support beyond the normal institutional subsidies) be restricted to Canadians at Ontario universities, university spokesmen strongly opposed the suggestion. Their arguments seemed to be:

1. As many Canadian students benefit from fellowships in foreign countries as vice versa, so that in effect there was no loss to the Ontario taxpayer.

2. A brilliant student increases the quality of university life, and no university stature can afford to discourage brilliant students from any source.

3. In a discordant and divided world, bringing young people of various nationalities together in a learning situation is one of the best ways of promoting international understanding.

Any suggestion that foreign students pay full cost of their education would probably be opposed on the same grounds.

Nevertheless, it is doubtful if the whole issue has ever been fully and carefully examined by the post-secondary institutions or the government. Does a study exist to document the thesis that the gains from exporting Canadian students balance the losses from importing foreign students? Do we know the real cost to the Ontario Government of grants and subsidized tuition provided to foreign students? Should it be the Federal Government's responsibility to finance the whole cost of foreign students as a matter of foreign policy?

The Province of Ontario has an extensive and expensive system of colleges and universities, and judged as a system, perhaps one of the two or three best in North America. If an alternative to the present open door policy for foreign students could make part of the system an economic asset to the province, then the possibility could and should be canvassed rigorously.

A second approach to exporting education is to establish institutions abroad. Again, the cases that come to mind have had other motives than economic. Many American colleges and universities have established "branch plants" in various European countries, but these campuses are intended to give the American student a year abroad rather than to attract local students. France still maintains educational institutions in her former colonies, but this represents one facet of her politique de grandeur. Canada has financed and staffed technical colleges in Africa, but these have been paid for by the Canadian taxpayer as a form of aid to under-developed countries.

It is possible, however, to imagine exporting a Canadian institution to a prosperous country where either the educational system is underdeveloped, or where the existing system lacks the practical and technical emphasis of North American education. Hong Kong, which sends thousands of college and university students to Canada each year, is one possibility. The oil-rich countries of the Middle East might be another. Certain South American countries might be considered. In all such undertakings, Canada's reputation for being reasonably non-partisan in international affairs could be an asset.

A third possibility lies in the export of educational expertise. Once again, most developed countries are heavily involved here, but on a foreign aid basis. However, a second look at foreign markets which could be

economically profitable might be taken. Public or semi-public agencies, such as the Ontario Institute for Studies in Education or the Centre for Applied Research and Development at McMaster, already exist which could at least theoretically supply such services.

An interesting conjecture is whether or not a private corporation aimed at exporting either educational institutions or expertise would be successful. So far the only successful cases that come to mind are the secondary and post-secondary schools and colleges located abroad but aimed at the domestic market.

RECOMMENDATIONS

1. That the Ontario Government undertake a survey to determine whether or not it would be practical and/or advantageous to charge foreign students the full real costs of their post-secondary education.

2. That the Ontario Government investigate the possibility of exporting post-secondary institutions or expertise to certain selected areas such as the Middle East, Hong Kong and South America, either through existing Crown Agencies, private enterprise, or a specially developed mixed agency.

APPENDIX "F"

EUROPE AND EASTERN EUROPE EXPORT AND MARKETING EXPANSION OF RECOMMENDATIONS MADE TO SERVICE INDUSTRY EXPLORATION TEAM

RECOMMENDATIONS

7. GOVERNMENT SHOULD ENCOURAGE AVAILABILITY OF CAPITAL THROUGH BANKS OR GOVERNMENT RESOURCES TO DEVELOP EXPORTS OF MANUFACTURING AND SERVICE INDUSTRIES.

8. GOVERNMENT SHOULD APPOINT SPECIAL COMMITTEE ON EXPORT OF CANADIAN PRODUCTS; MEMBERSHIP TO BE SELECTED FROM INDUSTRY.

To successfully export Canadian products to Europe and Eastern Europe in particular, I believe that the following steps must be taken by the Government of Ontario:

1. To make available capital for expansion and promotion of Canadian goods and professional services abroad; to counteract similar help given to industries like U.S., Germany, Japan etc. by their governments, including the Eastern European communist countries, whereby the fair market value of their products is non-existent as it is stipulated and the bylaws which govern importation of goods from foreign countries, therefore supplying the industry with justified capital for export only and recovering same in taxation or by other methods.

2. The chartered banks should be ordered to relax their export credit to the exporter, even if it has to be backed up by Government guarantees on a similar basis as various other countries are doing today.

3. Banks should reduce interest on export loans by 1-1/2 to 2 percent below the preferred rate for all transactions of Canadian goods destined for export.

4. If the chartered banks do not cooperate with the Government, then the Government should have its own bank for such purposes as financing export.

5. The Government should give serious consideration to people or companies with new ideas for development and manufacturing of new products which could have potential export possibilities.

The Government should form a special committee to deal with the export of Canadian goods, and such committee should be selected from general industry - the best and most capable only - for the purpose of promoting Canadian products abroad. Also, the Government should realize that the best thing for being sad is to learn sanity and, furthermore, that fate must not have the last word.

The Government must be capable and determined not to be sentimentalistic or the opposite; it must be realistic and determined to succeed and nothing else should stand in its way. The Government should look at many other countries, with much less natural resources than Canada, doing a tremendous business in exports by a very simple method - DETERMINATION TO SUCCEED.

APPENDIX "G" - OTHER SERVICE INDUSTRIES

RECOMMENDATION 9

GOVERNMENT SHOULD ASSIST SMALLER SERVICE INDUSTRIES BY (1) ADVISING THEM OF EXISTING PROVINCIAL GOVERNMENT SERVICES, (2) HELPING SPONSOR BUSINESS MANAGEMENT COURSES ON T.V., (3)ESTABLISHING AN ONTARIO GOVERNMENT EQUIVALENT OF THE SMALL BUSINESS INVESTMENT CORPORATION IN THE U.S.A. AND (4) FORMING A SMALL BUSINESS ADVISORY COUNCIL TO ASSIST IN THE ABOVE RECOMMENDATIONS.

Discussions have been held with people in the fast food industry, interior design, convenience variety store chain and hardware industry. Generally no area was identified that Government activity could assist. All tended to be attempting to consolidate their operations in their present market areas.

In most conversations there was a reluctance to accept the premise that the Government could play a meaningful role in the expansion and/or export of goods and services. This obviously points out that most business people have little knowledge of the kind of help that Government is prepared to provide.

It is therefore recommended that the Government of Ontario could be of great benefit to the smaller service industries of the Province in the following manner:

1. acquaint small business with the services that are already available to them by the Provincial Government (at present the only contact with Government is with those involved in the regulatory branches of all departments i.e. labour, health, W.C.B., tax data compilation).
2. a business management course shown over Cable T.V. and an educational T.V. channel. The first section of the course to be of a general administrative and financial nature covering any small business and it is suggested that it be sponsored by both Government and the various Boards of Trade or Chambers of Commerce throughout the Province. Further and more intensified or specialized courses could then be given

through the joint sponsorship of the Provincial Government and the various trade associations.

This would be of great benefit to both the Government and the small business man because it would show that Government is truly interested in the welfare and progress of small business and to truly help them rather than, as it now appears, to harass them.

Viewing the first part of the proposed programme in the privacy of his own home would also help him get over some of his timidness in mingling with the heads of "big" business and the experts who always appear to have all the answers.

The second phase of the programme, Government and Trade Associations, would then allow the operators in the same field of endeavour to concentrate on the particular problems of their own kind of industry.

3. a corporation similar to the Small Business Investment Corporation in the U.S.A. would also be of great benefit to a vast majority of small business in Ontario. A Small Business Administration approach, with the same emphasis on service industries as on manufacturing companies, would also be of great assistance.

4. A Small Business Advisory Council should be formed to assist the Government in all three of the above recommendations. Such people as John Bulloch would be very pleased to participate in such a Council. By funding the promotional and information gathering efforts of a Small Business Administration that promotes and looks after the interest of small business, the Government would be able to respond to the advice of such a Council.

APPENDIX "H"

FINANCIAL SERVICES

RECOMMENDATIONS

10. GOVERNMENT, PARTICULARLY THROUGH O.D.C. SHOULD EXPAND ITS WAY OF FINANCIALLY ASSISTING SMALL AND MEDIUM ONTARIO COMPANIES TO EXPORT.

11. GOVERNMENT SHOULD SPONSOR A SERIES OF LOCAL SEMINARS ON EXPORTING.

12. (a) GOVERNMENT SHOULD ESTABLISH FINANCIAL TASK FORCE TO STUDY INVESTMENT INDUSTRY IN ONTARIO, WITH PARTICULAR EMPHASIS ON POSSIBILITY OF TORONTO EMERGING AS MAJOR INTERNATIONAL FINANCIAL CENTRE. TASK FORCE MEMBERSHIP FROM GOVERNMENT, FINANCIAL COMMUNITY AND UNIVERSITIES.

(b) GOVERNMENT SHOULD APPOINT FINANCIAL SPECIALISTS TO ONTARIO FOREIGN OFFICES.

Our Service Industries Exploration Team sub-committee on financial services has the following observations and recommendations to make:-

A. Medium and small exporters deserve special consideration and it is felt assistance can be given in the following ways:-

(1.) Financing

While O.D.C. does provide tangible assistance to exporters, nevertheless, there are additional facilities that need to be provided to assist small and medium companies in developing exports which are not now available or being actively offered by Export Development Corporation, and which would provide back-up to the latter's facilities.

(a) Many small or medium sized exporters experience difficulty in arranging adequate credit through normal bank channels due to their financial position and therefore could lose out on many export opportunities and it is for this reason a short term guarantee facility through O.D.C. would provide greater protection to a lender and afford greater leverage to an exporter, particularly where pre-shipment financing is a necessity.

Financing (cont'd.)

(b) The Eximbank of the United States provides advance commitments for discount loans up to 100% of the principal amount on shipment, covering short-term transactions (less than 1 year), to assist in export sales. A similar programme has not yet been developed in Canada through our Federal EDC. ODC could provide a valuable function in supplementing private sources of financing by establishing a similar discount programme to assist in the financing of Canadian exports and services which again would give more flexibility.

(c) O.D.C. might also undertake to insure isolated L/C transactions when considered necessary - this may not be available through E.D.C. without the exporter taking a total coverage policy, although there exists no fast rule on this subject.

(d) With respect to medium term transactions, O.D.C. might consider insurance and guarantee on an ad hoc basis, as opposed to E.D.C.'s possible requirement of whole-turnover policies.

(e) While the Federal Export Development Corporation do insure exports, it is quite evident many exporters do not appear to fully understand the terms of their insurance coverage and are therefore reluctant to become involved. To overcome this, full and comprehensive instruction should be given to exporters who are interested in exploring or obtaining insurance coverage which again ties in with and emphasizes the value of local seminars.

(f) Present E. D. C. insurance policies cannot be assigned to a Bank - the Bank really holds an acknowledged direction that any legitimate claims made by the exporter will be paid to the Bank - the onus is placed on the Bank to follow the conditions of the Policy closely to ensure that a claim would be honoured. To overcome this, the insurance policy should be in a form which would make them directly assignable to a bank who could assume all the rights of the insured in case of need. Perhaps O.D.C. could look into the

Financing (cont'd.)

feasibility of issuing such policies for short and medium term transactions and it would eliminate the difficulties experienced by banks in determining the effectiveness of present policies and consequently, limiting the credit available to small exporters.

(g) Credit information - could the Provincial Government not act as a bona fide clearing house for this?

(h) There appears to be some gap existing in the provision of medium term loan capital and venture capital for small and medium sized Canadian companies. The Canada Development Corporation is an attempt to improve the situation through its investment in Venturetek which is an Ontario Company. The Ontario Government will wish to watch this very carefully and O.D.C. should establish close liaison with Venturetek.

In addition, we understand the Federal Government is considering the establishment of S.B.I.C's (small business investment companies), rather similar to those in United States. At this time, we do not recommend any particular action but the Ontario Government should observe the development of this also.

(i) Basically, many service industries, apart from those covered here, are fragmented, poorly organized and ill-financed as well as poorly managed. There probably needs to be a very special study done of the financial problems of these fragmented industries and this might be done through the Association of Small Independent Businessmen (John Bulloch). Certainly one of the lacks that exists is in management and tying financial support to management support might be a good idea.

(2) Education in the Export Field

Medium and small exporters must be made aware of the potential of the export market and efforts made to dispel any apprehensions that may exist with respect to entering into world markets. In recommending this be pursued through a Government sponsored series of local seminars, which should be specific in nature and not just in generalizations, it is felt the following would be accomplished:

(a) There would be increased contact with exporters in their own area of operation.

(b) It would afford an opportunity to persuade presently non-exporting companies to accept the fact their goods could be profitably exported.

(c) Ministry of Industry and Tourism services could be presented on a more personal basis, as could export opportunitites and facilities.

(d) Supporting services for exporters such as O.D.C., E.D.C., Banks etc., could be more fully explained and in view of which representatives of all parties should participate, as should any company representatives who have experience, so that exporters can also air their particular problem and obtain answers.

(e) Also of some importance is the fact that many small exporters are not able or prepared to undertake the expense involved in attending a seminar in a major centre.

(f) It also offers the opportunity for feed-back of queries emanating from the seminar to be followed up by the appropriate people, thereby placing the dialogue on a more personal basis.

(3) Trading Corporation

Being developed by a separate exploration team.

B. That a Financial Task force be set up to examine and compile statistics on the total scope and thrust of the Investment Industry in Ontario. The major aim of this Task Force would be to lay the foundations for developing the concept of Toronto becoming one of the major international, financial centres of the world. This Task Force should include representatives from the Ontario Government, financial institutions, professional financial associations such as the I.D.A., and perhaps the Universities.

As an expansion on the above recommendation, it is suggested that financial specialists be attached to the foreign offices of the province with the aim of:

(a) Publicizing the financial strength and competence of the Ontario financial community.

(b) Providing a watching brief on investment opportunities here and abroad.

(c) Developing sufficient knowledge to assist Ontario businessmen in establishing the viability of investment opportunities off-shore by minimizing red tape and making available knowledge of local financial customs and regulatory requirements.

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